



Large Call Position Adjusts in Altice USA, Potential M&A Bet

Ticker/Price: ATUS (\$25.55)

Analysis:

Altice USA (ATUS) yesterday with a large trade opening 13,000 March \$24 calls for \$3 adjusting the March \$16 calls that opened on 11/6 when shares sold off on earnings. ATUS also has seen December \$28 calls with 10,000 open including 5,000 in a bull risk reversal against the \$25 put strike, while 2,288 January \$20 calls remain in open interest as well as 10,000 of the short \$17 puts. ATUS did also have a buyer of 3000 June \$25 puts for \$855K on 11/6. Shares are now back near the post-earnings low and looking to hold its rising 200 day MA once again, also being a key 38.2% Fibonacci retracement of its strong run in 2019 and retested a key flag breakout from July. The \$16.4B internet & cable provider trades 27.8X Earnings, 13.5X FCF and 9.3X EV/EBITDA with a debt-ridden balance sheet. ATUS EBITDA is seeing growing at a steady 3-4% rate but faces tough comps the next two quarters. The CEO noted back in September on CNBC that the company would love to do another M&A deal and noted the recent quarter weakness was due to lapping promotional deals the year prior. ATUS is also in the process of rolling out Altice Mobile and has on boarded Apple and Samsung. It is also launching fiber-to-home and sees being 10-gig ready by next year. Analysts have an average target of \$34 on shares and short interest at 5.4% of the float has climbed 19% Q/Q. Benchmark started shares Buy in September with a \$35 target seeing it differentiated from peers with its fiber-to-home network upgraded, mobile launch, and advanced national advertising products. JPM likes ATUS for 2020 with solid fundamentals and has an Overweight rating and \$34 target, seeing the billing system migration issue as a one-off. Bernstein started coverage at Outperform with a \$38 target in October and Citi on 10/4 raised its target to \$37 expecting solid operating prospects driving free cash flow growth and returns of capital. Hedge Fund ownership fell 7.6% in Q3 filings, Soroban Capital with a large concentrated position and Egerton Capital added to its position. JP Morgan was out with an interesting note last April calling for a deal between Altice and Charter (CHTR) seeing obvious synergies and suggested a \$30/share price.

Hawk Vision:



Hawk's Perspective: ATUS looks interesting after this reset and want to see it make a move and close back above the 8 day moving average.

Confidence Ranking: \$\$