



## Unusual Put Sales in Small Telecom Company

**Ticker/Price:** CBB (\$6.68)

### Analysis:

**Cincinnati Bell (CBB)** unusual activity over the past week with 4,000 ITM February \$7.50 puts sold to open at \$1.05 yesterday which followed 6,775 of the May \$5 puts sold to open, willing buyers of the name. CBB shares have rallied since early August off lows and nearing a move out of a two year downtrend with RSI gaining. The \$330M Telecom trades 5.9X EV/EBITDA and grew EBITDA 30% in 2018 and set to rise 9% in 2019 while revenues seeing 7% and 11.6% growth respectively. Its business are divided into Fioptics for entertainment and communications, Communications for IT Service & Hardware and Hawaiian Telecom. It is seeing strong demand for fiber-to-premise and ARPU and Penetration rising while Churn is falling across its segments. It is also seeing strong demand for cloud services, rising 15% Y/Y. Its existing footprint, fiber-to-the-premise reaches 60% of addresses in Cincinnati and 50% of addresses on the Island of Oahu. Fiber-to-the-premise is a generational asset with a high barrier to entry that consistently delivers high speed with unlimited bandwidth. In the latest quarterly call the CEO mentioned its valuable real estate that could be monetized. Analysts have an average target of \$6.75 and short interest is elevated at 18% of the float. UBS upgraded shares to Buy from Neutral in August but lowered the target to \$7 from \$11. Hedge Fund ownership fell modestly in Q3 filings, Mario Gabelli a notable owner of the stock.

### Hawk Vision:



**Hawk's Perspective:** CBB looks undervalued and has an interesting niche business geographically while showing some impressive growth, an intriguing small cap that could get back to double digits.

**Confidence Ranking:** \$\$