

SPOTLIGHT OPTION TRADE



Baidu Strong Quarter Overlooked, Nice Reward/Risk

TRADE SNAPSHOT

TICKER	BIDU
SECURITY	Baidu
SECTOR	Tech – Internet
CURRENT PRICE	\$121.60
LONG/SHORT	Long
TARGET	\$150
STOP	\$112
TIMEFRAME	3 Months

Trading Strategy: Long the **BIDU** June \$130/\$150 Call Spreads at \$4.70 Debit

Net Debit/Credit: Debit \$4.70

Profitability Zone: BIDU Shares Above \$134.70 on June OpEx

Options Volatility / Trade Simulator View:



Fundamental Analysis: The \$42.3B Internet Company trades cheap at 12.35X Earnings and 1.9X EV/Sales with an outlook seeing 7.3% and 13.8% revenue growth the next two years and 25% and 32% EBITDA growth. BIDU blew away Street estimates last quarter and also showed strong App usage metrics. BIDU's core business saw revenues decline 3% Y/Y but its iQIYI (IQ), cloud and smart devices revenues rose 34% Y/Y and really driving its growth. Analysts have an average target of \$151 and short interest low at 2% of the float. SIG raised its target to \$160 this week noting improvements in the core business. JPM upgraded to Overweight earlier this week with a \$150 target on better 2020 visibility and favorable risk/reward. OpCo raised its target to \$165 on 1/16 citing stabilizing competition and disciplined investments, and poised to benefit from e-commerce competition driving its digital ad business. Hedge Fund ownership rose 9.7% in Q4 filings, Causeway Capital a large concentrated stake.

Options Activity: BIDU has seen bullish upside call buying and also plenty of opening put sales at strikes around \$130 and \$135 and been stalking it for a while and risk/reward looks good here. The only bear position of note sits in March 27th (W) \$125 puts.

Date	Description	Volume	Open.Int	Price	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
3/3/2020	BIDU 100 19 JUN 20 120 CALL	1,555	4,435	\$9.00	0.52	39.05%	43.15%	\$1,531,675	.BIDU200619C120
2/24/2020	BIDU 100 21 JAN 22 110 PUT	550	163	\$14.90	-0.29	36.73%	47.60%	\$896,500	.BIDU220121P110
2/24/2020	BIDU 100 15 MAY 20 125 PUT	500	1	\$8.70	-0.44	39.89%	51.66%	\$435,000	.BIDU200515P125
2/20/2020	BIDU 100 19 JUN 20 140 CALL	1,007	2,521	\$7.97	0.44	35.38%	36.25%	\$805,600	.BIDU200619C140
2/20/2020	BIDU 100 (Weeklys) 27 MAR 20 125 PUT	2,013	20	\$2.50	-0.24	38.53%	27.95%	\$525,393	.BIDU200327P125
2/18/2020	BIDU 100 19 JUN 20 130 PUT	2,112	2,506	\$9.00	-0.41	35.07%	48.52%	\$1,900,800	.BIDU200619P130
2/18/2020	BIDU 100 18 SEP 20 135 PUT	1,070	1,685	\$13.95	-0.45	34.08%	54.78%	\$1,492,650	.BIDU200918P135
2/5/2020	BIDU 100 19 JUN 20 160 CALL	1,517	3,760	\$2.98	0.21	35.13%	15.31%	\$470,270	.BIDU200619C160
2/3/2020	BIDU 100 19 JUN 20 135 CALL	8,262	2,171	\$9.90	0.49	36.07%	40.43%	\$8,179,380	.BIDU200619C135
1/28/2020	BIDU 100 19 JUN 20 150 CALL	3,261	4,927	\$4.15	0.27	34.98%	20.28%	\$1,385,925	.BIDU200619C150
1/27/2020	BIDU 100 18 SEP 20 110 PUT	705	121	\$7.00	-0.27	36.90%	36.98%	\$521,700	.BIDU200918P110
1/24/2020	BIDU 100 20 MAR 20 145 CALL	1,509	3,186	\$2.90	0.28	35.86%	23.01%	\$449,682	.BIDU200320C145
1/23/2020	BIDU 100 19 JUN 20 140 CALL	1,032	1,407	\$9.40	0.47	34.71%	38.18%	\$970,080	.BIDU200619C140
1/23/2020	BIDU 100 19 JUN 20 120 PUT	1,074	2,875	\$5.60	-0.27	35.24%	35.00%	\$601,440	.BIDU200619P120
1/23/2020	BIDU 100 19 JUN 20 165 CALL	1,000	1,089	\$3.10	0.2	34.55%	14.79%	\$310,000	.BIDU200619C165
1/14/2020	BIDU 100 20 MAR 20 135 PUT	1,099	670	\$6.07	-0.36	36.64%	41.77%	\$653,905	.BIDU200320P135
1/14/2020	BIDU 100 18 SEP 20 130 PUT	501	255	\$10.30	-0.33	35.15%	43.59%	\$516,030	.BIDU200918P130
1/10/2020	BIDU 100 21 JAN 22 155 PUT	900	8	\$33.50	-0.45	35.07%	63.36%	\$3,150,000	.BIDU220121P155
1/10/2020	BIDU 100 20 MAR 20 165 CALL	2,040	470	\$2.33	0.2	35.44%	16.06%	\$481,440	.BIDU200320C165
1/9/2020	BIDU 100 19 JUN 20 190 CALL	1,001	1,071	\$2.10	0.14	35.31%	9.46%	\$226,226	.BIDU200619C190
1/7/2020	BIDU 100 18 SEP 20 150 CALL	750	36	\$12.15	0.46	35.09%	34.22%	\$900,000	.BIDU200918C150
1/7/2020	BIDU 100 18 SEP 20 145 CALL	273	46	\$13.75	0.51	35.71%	39.12%	\$395,850	.BIDU200918C145
1/6/2020	BIDU 100 20 MAR 20 140 CALL	1,554	3,083	\$7.20	0.47	35.65%	40.38%	\$1,118,880	.BIDU200320C140
1/2/2020	BIDU 100 20 MAR 20 130 CALL	1,664	4,920	\$10.60	0.6	35.94%	53.68%	\$1,813,760	.BIDU200320C130
1/2/2020	BIDU 100 18 SEP 20 135 PUT	1,000	1	\$14.45	-0.42	34.48%	53.12%	\$1,460,000	.BIDU200918P135
1/2/2020	BIDU 100 20 MAR 20 140 CALL	1,561	2,420	\$6.32	0.42	35.93%	36.03%	\$991,235	.BIDU200320C140
12/31/2019	BIDU 100 20 MAR 20 140 CALL	1,570	947	\$3.60	0.3	34.82%	24.67%	\$565,200	.BIDU200320C140
12/23/2019	BIDU 100 20 MAR 20 120 PUT	1,345	770	\$4.15	-0.29	32.96%	34.67%	\$564,900	.BIDU200320P120
12/19/2019	BIDU 100 20 MAR 20 130 CALL	2,893	3,966	\$8.00	0.51	33.90%	43.81%	\$2,343,330	.BIDU200320C130

Potential Catalysts: Earnings in May/June

Disclaimer:**Not Investment Advice or Recommendation**

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