



## Risk Reversal in Trip Advisor Sees Reward/Risk Positive into New Lows

Ticker/Price: TRIP (\$18.20)

### Analysis:

**Trip-Advisor (TRIP)** with a large trade on 3/11 as 10,000 January \$20 calls were bought \$4.50 to open and 10,000 of the January \$16 puts were sold \$3.60 to open in a risk reversal. On 3/5 the September \$20 puts were sold to open 2,200X and on 2/12 the September \$23 puts sold to open 2000X. TRIP has also seen opening sales in June \$27.5 and \$25 puts. TRIP shares are down to record lows, struggling in 2019 in a long downtrend and a recent acceleration lower with the clear connection it has to the Travel industry. Shares are very oversold with weekly RSI at 22. The \$2.45B internet company now trades 5X EBITDA, 9.65X Earnings and 7.7X Cash. Forecasts had called for 3.5% revenue growth in 2020 accelerating to 6% in 2021 though numbers are likely to come lower. TRIP's CEO bought 44,444 shares earlier this week at \$21.73 for around \$1M. TRIP's core business revolves around Hotels and has been expanding more into Dining & Experiences. TRIP has been looking at capital allocation and in Q4 did \$410M in acquisitions and a \$500M special dividend. The company is also continuing to buy back stock. TRIP noted weakness seen from COVID-19 and fully expects to get through this rough patch and sees the Travel industry eventually shining again. Analysts have an average target \$33.80 and short interest at 13.7% of the float remains elevated. Needham lowered its target to \$39 on 2/14 citing traffic headwinds from Coronavirus but remained buy-rated on its strategic value to an acquirer with glimpses of growth, margin expansion offsetting an eroding auction business and solid EBITDA/FCF margins, at the time calling 8.5X FY21 EV/EBITDA attractive, and currently trades 4.7X, while seeing 11X a fair value. Hedge Fund ownership fell 19% in Q4 filings, PAR Capital with a 2% weighting. DA Davidson lowered its target to \$36 in February seeing the progress being made and noting the evolution will take time but is solidly underway.

### Hawk Vision:



**Hawk's Perspective:** TRIP falls into "buy and hold your nose" category with this ugly trend, but clearly see some strategic value here into the panic selling and the upside to downside ratio is turning favorable.

**Confidence Ranking:** \$\$