



AT&T Large Puts Open as Leverage a Concern

Ticker/Price: T (\$28.10)

Analysis:

AT&T (T) with elevated bearish flows yesterday including buyers of the May \$27 puts, over 7000X as some April \$32 puts adjusted down, 5000 May \$29 puts for \$2.95, and over 45,000 June \$31 puts. T recently had 9,000 April \$29 puts bought and 5,000 July \$30 puts bought to open in early March. Shares are down around 27.5% over the last month and right at trend support from the 2002/2008 lows. T is also right at the low-end of multi-decade value and a move under \$26 has room to \$22.50 and \$20. A rebound to the declining 8- or 20-EMA an ideal spot to target a new position. The \$202.5B telecom trades 7X earnings, 1.12X sales, and 14X FCF with a 7.77% yield. T previously saw mid-to-high single digit EPS growth and revenues basically flat over the next two years, with upside from synergies of their Warner deal. But, those estimates likely need to come down given headwinds to declining revenue from satellite provider DirectTV, film and TV program delays, advertising woes, and more. Their leverage ratio also near multi-year highs as they look to sell as much as \$10B in assets in 2020, which may be put on hold given the current market environment. Short interest is 1.6%. T has seen some insider buying lately with a director adding \$3.75M in stock at \$37.60 on 2/4. Hedge fund ownership fell 1.2% in Q4. Elliott remains a top holder with calls worth 20.5M shares as well as 5M shares of stock. Analysts have an average target for shares of \$39.50. Baird downgrading to Neutral recently seeing fundamentals within WarnerMedia to be pressured including HBO Max. Raymond James downgrading to Neutral on 3-16 citing the loss of March Madness, NBA, and other major sports programming and advertising. They also think the current buyback and dividend are solid but don't offset the overall weakness given their leverage.

Hawk Vision:



Hawk's Perspective: T is in a bad spot and worry about them sustaining the dividend, a name to target from the short side into rallies.

Confidence Ranking: \$\$