



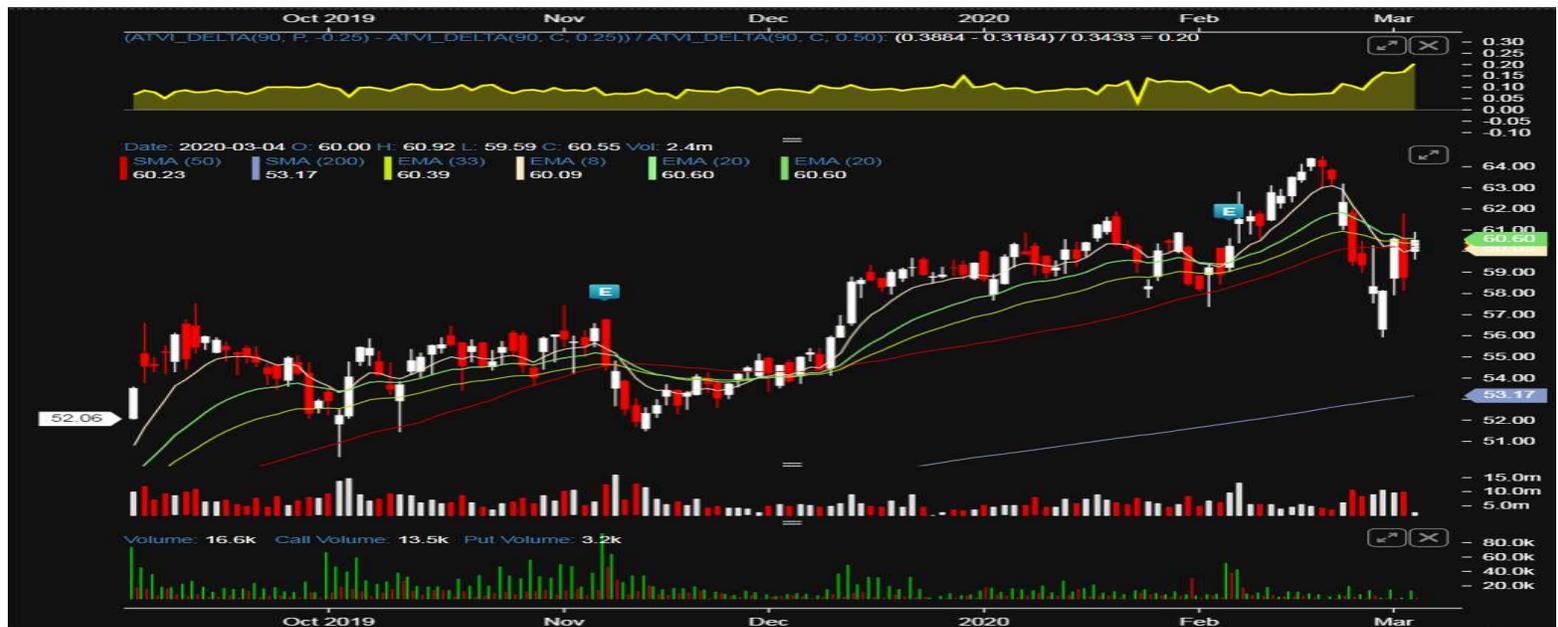
ActiVision Bulls Active in Options with Shares Holding Up Strong

Ticker/Price: ATVI (\$60.50)

Analysis:

Activision (ATVI) with 2,000 ITM May \$50 calls bought today around \$11.35 to \$11.55, sizable trade and follows buyers recently in the June \$65 calls and May \$62.50 calls. ATVI has also seen accumulation in the January \$65 calls for some size. Shares have held up well and just 6% off of 52-week highs while crossing back above its 8-EMA this week. ATVI continues to rebound from the late 2018 selloff and has a big VPOC up above at \$75 to target. The \$45.3B company trades 20.92X earnings, 7X sales, and 26.4X FCF with a small yield and mid-teens EPS growth. ATVI sees revenues up 8% and then 10% the next two years. ATVI sets up favorably into the next-gen gaming world and a number of company-specific catalysts in 2020 to drive value including a big slate of games set to hit the market (Diablo 4, Overwatch 2, and a new World of Warcraft expansion in August), their new cloud partnership with Google and continued evolution of e-Sports. ATVI is widely expected to launch Call of Duty Warzone's Battle Royale mode within the next two weeks, a nice near-term catalyst. Analysts have an average target for shares of \$65. Stephens naming it their best new idea on 3-2 with a \$72 PT. The firm cites longer-term catalysts from Asia if coronavirus continues to affect consumer behavior and the company's firepower for acquisitions given that it currently has its largest net cash position since 2012. Sun Trust has a \$68 PT given their strong core IP and franchises as well as its deep game pipeline and leadership in merchandising. Short interest is 2.4% and dropped from 3.5% in January. Hedge fund ownership rose 2.5% in Q4, Jericho Asset Management with a big add of 4.7M shares and their new top position. Viking Global, Light Street, and Park West all buyers as well.

Hawk Vision:



Hawk's Perspective: ATVI similar to TTWO large call buy this week and videogame names are in a great spot with limited virus impact and entering a strong cycle.

Confidence Ranking: \$\$