



Risk Reversal In Welltower as Strong Secular Theme Play

Ticker/Price: WELL (\$76.2)

Analysis:

Welltower (WELL) with a large opening trade 3/5 as 5000 April \$80/\$72.5 bull risk reversals opened for a \$0.05 debit, a name that does have 3000 March \$77.50 puts and 2000 March \$72.5 puts bought in open interest with expiration two weeks out, and little other notable OI. The \$32B REIT has properties that include Senior Housing, Post-Acute Care, and Health Systems. WELL shares made a big move 2018-2019 and recently on its low retraced 50% of that range also holding at the rising 144 and 200 week moving averages. WELL now trades 17.8X FFO with a 4.7% dividend yield. Forecasts see 5.5% FFO growth and it stands out versus closest peer **Ventas (VTR)** which saw a lot of put buying on the day. WELL has benefitted from the secular theme of an ageing population and the need for value based care, though senior housing facilities face risks with the current epidemic. WELL is the World's largest health and wellness real estate platform with 1300 senior housing facilities and 24M square feet of outpatient facilities. It estimates senior housing is only 10.5% penetrated and the 75+ population is expected to double the next 20 years. It also notes the shift to outpatient from inpatient with a 51% increase in visits since 1999 compared to 3% growth for inpatient admissions. Analysts have an average target of \$89.50 and short interest at 3.5% of the float is near a multi-year high. Raymond James upgraded shares to Strong Buy with an \$87 target on 2/28. Mizuho in December started coverage at Buy with a \$92 target seeing its premium multiple to peers sustainable as it delivers the best earnings growth and has a strong competitive advantage and smart deal making. Hedge Fund ownership increased 2.66% in Q4 filings, Zimmer Partners and LaSalle adding to concentrated stakes.

Hawk Vision:



Hawk's Perspective: WELL has some near-term uncertainty but clearly best-of-breed and also sets up as a potential pairs trade, with **VTR** the short-leg.

Confidence Ranking: \$\$