



Trip.com Put Sales See Lows Holding

Ticker/Price: TCOM (\$24.45)

Analysis:

Trip.com (TCOM) with 1,500 December \$25 puts sold to open yesterday for \$3.65 and follows the September \$22 puts sold 1,500X last week and sellers in the June \$24, \$25 and \$27 puts in mid-March. Shares are trading in a narrow base under the 50-MA at \$26 and set for a breakout on the open today. TCOM has been consolidating above March VPOC at \$23.65 and room up to the prior value-area high at \$28 and YTD VWAP at \$29. Longer-term, upside targets the weekly channel high at \$37.50. The \$14.08B company trades 14.5X earnings and 2.8X sales with more than \$10.50/share in cash on hand, limited debt, and minimal near-term maturities. TCOM has a strong near-term catalyst with China's Labour Day in early May which is the first major tourist event since COVID-19 hit the region. A recent report from China's tourism academy expects a record number of travelers over the five-day holiday, with domestic travel the main focus, near doubling the 40M individuals from the Ching Ming Festival in early March. TCOM noted on 4/23 that they've seen a significant increase in early bookings for the period while their small-group tours, private cars, and tour guide business has seen a surge in activity as restrictions on mass gatherings remain. Additionally, their rental car business has already booked 70% of last year's total. TCOM had been under pressure as travel restrictions were in place for much of February/March but as with many other Asia-focused names, they're seeing a stronger and earlier pick back up than US or EU names. TCOM noted in mid-March that overall travel has been picking up sharply as many countries and local areas re-open, and now positioned for a domestic rebound in Q2/Q3. They have also seen better pricing over the last month, a sign that airlines within China have gained confidence in a recovery and backstopped somewhat by government assistance. Analysts have an average target for shares of \$31.75. New Street upgrading to Buy yesterday with a \$30 PT. Goldman downgrading to Neutral on 4-20 citing a more gradual pace of recovery for travel. Short interest is 2.3% and down from 3.7% earlier this year. Hedge fund ownership rose 6.35% in Q4. South Africa's Naspers bought a new 4.1M share position in the company.

Hawk Vision:



Hawk's Perspective: TCOM is looking like a compelling value at these levels which the put sales also suggest, and probably best to have Travel exposure in this region as compared to the US where the recovery will be delayed further.

Confidence Ranking: \$\$

