



## Expedia Call Buyers Seize on Turnaround, Resumption of Travel Normalcy

**Ticker/Price:** EXPE \$77

### Analysis:

**Expedia (EXPE)** buyers of more than 6,750 January \$90 calls yesterday from \$10.30 to \$11.30, sizable opening position at more than \$7.8M. EXPE has seen a lot of bullish flows lastely including buyers of 15,000 January 2022 \$85 calls, buyers in the Jan. 2021 \$70 calls, and put sales across the October, July, and January months. Shares are working out of a multi-week base above \$76.50 and testing that level yesterday on the pullback with the rising 8-EMA below at \$73.50 likely supportive of short-term momentum. YTD VPOC is higher at \$110 and there's a decent gap here back to around \$100 in the short-term. The \$10.5B company has been hit hard with the travel slowdown that compounded some operational mis-steps in late 2019 but seems poised for a recovery with recent management changes. Shares trades 15X earnings, 7.5X FCF and 0.87X sales with plenty of cash on hand. EXPE pre-announced in April so last week's results not a surprise but they did show VRBO bookings slightly better than feared and gave positive commentary on May. EXPE has undergone a big management shift with Barry Diller back taking more control and they expect to unlock value by utilizing more AI/data to analyze customer habits and make more targeted conversions. The shift under Diller is also likely to accelerate those trends towards lower costs and take better advantage of their scale. He's been fighting a shareholder group to boost his stake back to the 50% voting power he had prior to the Liberty Expedia deal and may see resolution soon. Analysts have an average target for shares of \$103.50. CSFB raising their PT to \$101 noting that COVID-19 will force management to take a harder look at its operations to eventually emerge theoretically extracting greater free cash flow from a lower absolute dollar level of gross bookings. Deutsche Bank raising their PT to \$112 as the company now turns to improving margins, more marketing discipline, and better trends in May. Short interest is 9.6%. Hedge fund ownership rose 6.5% in Q1. Melvin Capital a buyer of 3.4M more shares and now their second largest position at 11.95M shares. EXPE saw a lot of insider buying in December around \$105-\$108 including a \$1.95M purchase from a director and a \$2.5M buy from the Vice COB.

### Hawk Vision:



**Hawk's Perspective:** EXPE has a lot of potential with management more focused and incentivized to return to strong growth, plus any signs of a pickup in travel will be a tailwind throughout the Summer

**Confidence Ranking:** \$\$