



Bears See Further Weakness in Simon Property

Ticker/Price: SPG (\$51.65)

Analysis:

Simon Property (SPG) with more bearish flows today including over \$1M in October \$40 puts and buyers of more than 4,500 October far OTM \$25 puts, a spot where buyers were active on 5/4. Today's flows follow buyers recently in the June puts recently as well as call sales across the June and July options in late April. SPG has vastly under-performed both the S&P as well as the IYR since mid-March and near a breakdown under \$45 has a measured move down under \$30. The \$15.7B company trades 23.5X cash and 20X FFO with a 16.4% yield which they affirmed earlier this week. The company has long touted their strong capital structure but the long closures and imminent rent delays will put pressure on cash flows while they look to maintain significant capital returns and investments. SPG is also looking to close their **Taubman (TCO)** acquisition which will shift their Net Debt/NOI higher from its current 5.2X and may impact their A/A2 credit rating. SPG is one of the largest mall-operators in the US with over 2B shopper visits in 2019 but that number will be a small fraction in 2020 given capacity guidance from tenants like Lifetime Fitness, hotels like **Hyatt (H)**, **Marriott (MAR)**, **Hilton (HLT)** and **IHG**, as well as movie theaters like **AMC**. Analysts have an average target for shares of \$107.50. Wells Fargo downgrading to Hold recently seeing a rocky road to recovery for malls as many stores remain closed and some may never re-open. The firm thinks May rent collections will remain weak and that landlords will negotiate rent relief given that the credit quality of the top tenant base has weakened. BAML cutting to Neutral on 4-14 as there is zero visibility about 2020+. Short interest is 6.5% and rising from 2.8% in mid-2019. Hedge fund ownership rose 2.4% in Q4. SPG has seen some notable insider buying including a \$9M buy from the CEO on 3/17 at \$60.83.

Hawk Vision:



Hawk's Perspective: SPG has been noted as a top short play for a couple years now with its exposure to weak trends in Retail and the current environment accelerating that headwind. I continue to see this name struggling and a likely dividend cut and capital concerns.

Confidence Ranking: \$\$