Unusual Put Sale in Stag Industrial

Ticker/Price: STAG ($25.5)

Analysis:

Stag Industrial (STAG) with 1000 December $25 puts sold to open $3.30 in an unusual trade that is similar to the October put sale in **COLD**, another growing REIT, recently. STAG does not have any other notable open interest. Shares have been in a strong uptrend the past decade recently with a sharp correction but rebounded quickly and currently consolidating tightly and a move above $26 opens room to run to $30. The $3.85B industrial REIT trades 13.8X AFFO and yields a 5.76% dividend with Debt to EBITDA at 4.8X. STAG reported on 4-30 and beat estimates with 24% revenue growth collecting 90% of April billings to date. STAG calls itself the only pure play industrial REIT active across the entire domestic market and has created a lot of value through property redevelopment. The industrial real estate industry is very fragmented and has stable cash flows with high tenant retention and low capital expenditure requirements, key secular demand drivers coming from Ecommerce and supply chain reconfiguration. STAG notes 43% of its portfolio handles ecommerce activity. Its top tenants include Amazon, XPO, Solo Cup, TriMas, DS Smith, Fed-Ex and DHL. It operates a conservative balance sheet and just 29% of debt matures through 2022. It operates a diverse portfolio across geography, tenants, and industries while trading at around 1/2 the multiple of peers. Analysts have an average target of $30 and short interest is 6% of the float. RBC lowered its target to $30 on 4/2 on Macro concerns but notes encouraged by the company's ability to navigate recent uncertainty. Hedge Fund ownership fell 5.2% in Q4 filings.

Hawk Vision:

Hawk's Perspective: STAG is beaten down and looks like an attractive value/yield play fairly insulated from the economic issues, liking its exposure to ecommerce.

Confidence Ranking: $$