



Unusual Call Buying in Sci-Play

Ticker/Price: SCPL (\$14)

Analysis:

Sci-Play (SCPL) trading 45X average calls today early with buyers of 1,250 July \$15 calls from \$1 up to \$1.40 and follows 2,800 July \$12.50 calls bought for \$2.10 on Friday in unusual action. SCPL does not have any other notable open interest. Shares have been strong since mid-March and flagging just above a 1-year base breakout at \$13. SCPL debuted in early 2019 after separating from Scientific Games and the May run above \$11 broke the IPO downtrend, a key transition we often track. The \$1.68B company trades 11.9X earnings and 3.6X sales with virtually no debt and a strong, high-margin, high cash flow business producing mobile games. SCPL is a big beneficiary of the shelter-in-place policies and Zynga's (ZNGA) \$1.8B deal for Peak today shows continued appetite for growth in the space. SCPL focuses on social casino games and expanding into more casual gaming with slots and bingo, a much larger overall TAM with better monetization trends. Their core games continue to expand their user base with 2.6M DAU in Q1 and 7.5M MAU and mobile penetration of 85%. SCPL is generating record monthly revenues and payer conversion rates which is helping drive margin growth towards their long-term goal of 35%+. SCPL sees a lot of long-term opportunity in the \$84B mobile gaming market as social casino games continue to see better monetization and engagement in iOS surveys than others. They see international expansion and potentially M&A as possible growth engines going forward. Short interest is 1.4% and near the lowest it has been since its spin off. Hedge fund ownership rose 2.88% in Q1. Whitefort Capital and Natahala Capital both buyers. SCPL has seen a lot of insider buying in the last 12 months including in February from the CEO and COB. Analysts have an average target for shares of \$12.75. Stephens raising their PT to \$14 on 5-12 and Sun Trust with a \$11 PT in April citing easing comps, a clean balance sheet, supportive valuation, some optionality.

Hawk Vision:



Hawk's Perspective: SCPL was a small cap highlighted in March as an attractive value and continues to work well here, expecting even more highs with this activity.

Confidence Ranking: \$\$