



## FEATURED OPTIONS RADAR REPORT



### Vodafone Call Buyers See Value in Catalyst-Rich Story

Ticker/Price: VOD (\$15.60)

#### Analysis:

**Vodafone (VOD)** with a size buy of 13,000 January \$16 calls to open \$1.19 to \$1.22 on 7/27 and has 19,000 August \$17 calls in OI from 7/17 buys and 2200 January 2022 \$15 calls bought back in April, otherwise limited open interest. VOD has a number of potential intriguing catalysts with shares underperforming for so long, on 5-28 FT reported that Google may take a stake in VOD's India business and on 6-23 reports that VOD is seeking a Tower IPO in the range of \$10B to \$20B as Telecom operators are increasingly seeking ways to extract value from their tower portfolios. VOD shares are trading back near 20-year lows and down nearly 20% YTD. The \$44B European Telecom/Cable company trades 30X Earnings, 0.6X Book, and 6X EBITDA with a 6.2% dividend yield. EBITDA grew 2-3% in 2018/2019 before dipping 1.3% in FY20. Analysts have an average target of \$22 and short interest minimal at 0.2% of the float. Deutsche Bank last week named it a short-term catalyst buy noting "the upcoming towers IPO will increasingly see investors looking at Vodafone on an infrastructure basis, which will reveal a cheap valuation compared to peers, and that the opening up of European borders this summer should see increased lucrative roaming traffic to the benefit of Q2 expectations. The pending sale of Vodafone Egypt and monetization of Vodafone Hutchison Australia should help both simplify the group and reduce indebtedness. Deutsche Bank added that potential European Commission policy change with regard to MNO consolidation, equipment supplier diversification, and on spectrum costs/availability should also help future prospects." Hedge Fund ownership rose 3.5% in Q1 filings.

#### Hawk Vision:



**Hawk's Perspective:** VOD offers a fat yield and cheap valuation with value unlocking catalysts coming, so despite the low growth and ugly chart, a name that could work well in coming months.

**Confidence Ranking:** \$\$