



ActiVision Bulls Position for the Long-Run

Ticker/Price: ATVI (\$78.50)

Analysis:

Activision (ATVI) buyer earlier of 1,000 June 2021 \$80 calls around \$10 in a stock replacement and volume now running over 3,800X. ATVI has seen recently sellers in the August \$65 puts, Jan. 2022 \$50 puts, and November \$70 puts while the August \$70 calls active as well. ATVI shares are sitting at 1-year highs and a bit elevated with a pullback to the 50-MA at \$73 an ideal risk/reward spot. Longer-term, ATVI is back around the 2018 highs of \$84.50 with a lot of potential on a breakout higher with a measured move to \$125. The \$60.89B company trades 25.86X earnings, 9.45X sales, and 10.2X cash with a small yield. ATVI has a wealth of assets including top franchises, their leading esports league, and top digital games through the King acquisition. ATVI expects accelerating topline growth through FY22 with continued margin expansion as digital transactions becomes a bigger part of their overall mix. Consumer spending has surged in Q1 in the space as stay at home orders are driving greater adoption and should create a much larger, active base ahead of some key console launches later in the year. ATVI has two near-term catalysts. First, their esports league for Overwatch returns 7/17 and they're launching a second league for Call of Duty which should draw a larger community of players. Second, the company expects to launch Diablo Immortal, their mobile game soon which has been hotly anticipated and should help their mobile business which has lagged a bit behind peers. Analysts have an average target for shares of \$76 and Needham recently with a Street High \$90 target. The firm is positive on the long-term impact from theater closings and live sports being off-air as it greatly expands their TAM and should help their newly launched pro league for Call of Duty. Piper positive on 7-7 citing strong execution on recent game initiatives like CoD Warzone and mobile. Short interest is 1.2% and declining steadily since January when it was 3.5%. Hedge fund ownership rose 3.2% with Alkeon and Whale Rock both notable buyers, the latter a new 1.9M share position. ATVI saw a small insider buy in May from their CAO.

Hawk Vision:



Hawk's Perspective: ATVI has been our preferred video-game name all year and continue to favor it due to a number of positive secular trends, a name to be a buyer of on dips.

Confidence Ranking: \$\$