



FEATURED OPTIONS RADAR REPORT



Pinduoduo Bulls Relentless into Weakness

Ticker/Price: PDD (\$82)

Analysis:

Pinduoduo (PDD) has seen a lot of bullish positioning this week into some weakness and a name long popular with opening put sales which has continued. PDD has also seen bullish positioning in July 31st (W) with the \$95 calls having over 4800X in OI now and the \$105 calls with 3,770X. Put sales in size have targeted September \$85, January \$90, and October \$70 in the past week along and previously in August \$85 and \$75 strikes. The August \$100 calls, September \$80 and \$100 calls, and October \$110 calls have also seen size buys. PDD shares are indicated to open lower today with China weakness and below its rising 21 day moving average, and sits up a volume shelf support near \$82 it needs to close above as the parabolic move higher has stalled. PDD now has a market cap of \$105B as it benefits from the rapid growth in Chinese e-commerce and has been taking share from **JD/BABA**. PDD is looking for greater retention and customer spending to help advertising ROI which will improve monetization. They're also looking to make listing easier for merchants with AI reducing ineffective marketing spend. PDD appointed a new CEO on 7-1 and will next report in mid-August. PDD launched a live streaming service last November that is a new channel to sell products. PDD currently trades 8.6X FY21 EV/Sales and grew revenues 120% in 2019 with 55%+ growth seen for both 2020 and 2021. PDD saw some disruption from COVID-19 but still managed strong GMV growth and ARPU expansion last quarter. Analysts have an average target of \$77.50 on shares with short interest elevated at 6% of the float. KeyBanc raised its target to \$100 earlier this week seeing weaker seasonality for Q3 and risk/reward less attractive but PDD well positioned for the environment and strong long-term potential. Macquarie raised its target to \$116 on 6/24 seeing plenty of runway for further growth. ICBC called PDD a game-changer in e-commerce gaining market share by offering value-for-money products to price-sensitive customers. Bernstein started shares Outperform in early June expecting GMV to quadruple in five years and capture 18% of the Chinese e-commerce market in 2024. Hedge Fund ownership rose 9.25% in Q1 filings, Tencent with a large stake while top US advisors Tiger Global and Altimeter with concentrated stakes.

Hawk Vision:



Hawk's Perspective: PDD needs to form a proper base but a high growth name with plenty of potential the next few years to target long on weakness.

Confidence Ranking: \$\$