



## FEATURED OPTIONS RADAR REPORT



### Bullish Bets in Caesar's Build as Gaming Rebounds

Ticker/Price: CZR (\$39.30)

#### Analysis:

**Caesars Entertainment (CZR)** bullish flows today with an early spread selling 3000 Sep. 25th (W) \$33 puts at \$1.95 and buying 4500 of the \$41.5 calls \$3.25 and later buyers opening 3,000 March \$35 calls up to \$12.10. CZR had buyers in the January 2022 \$55 calls on 8/10 which have accumulated over 2,275X as well. CZR is moving above the 7/21 highs today which was when the merger with ERI was completed with room out to \$50+ on a continuation higher. The \$7B casino operator trades 3.77X sales and 9.95X cash with expectations for high-single digit growth in each of the next two years and \$10B in annual revenue by FY23. The deal gives the new Caesars a much wider footprint into regional casinos and diversification into areas like the Midwest and South at a time when long-distance travel will likely stay weaker for longer. They also have a much better balance sheet with their land deal with Vici allowing them to monetize some of their biggest properties and run asset light as they build out into emerging areas like sports betting and online gaming. They expect their William Hill partnership to generate \$600M to \$700M in revenue next year and iGaming revenues on pace for \$125M in New Jersey, a business where they have high-30% margins and big opportunity to expand. CZR has not been immune to the slowdown due to COVID but noted that they're taking a slow approach to expanding capacity and have seen solid booking for groups out as far as 12 months. CZR also feels they're more unique than peers on the Strip as they're less dependent on big events where the attendance limits will be a major restraint for some time. They also don't expect to move into promotional spending in the regional space as they feel demand has been strong in the opening months. Analysts have an average target for shares of \$25.50. Stifel positive on 7-28 noting the sell-off post close was unreasonable given long-term bullish thesis "has not changed at all" and near-term challenges cited by peers are well known. Wolfe starting at Outperform with a \$63 PT as they see plenty of value-added options post-deal including growth in sports betting and further asset monetization. Short interest is elevated at 18%. Hedge fund ownership up 4.85% in Q1, HG Vora with 15M shares. Most notable holder pre-deal was Carl Icahn who sold out of his entire 114M share position. Insiders were active in ERI in November ahead of the deal closing with several directors buying over \$1.25M cumulatively around \$35-\$40.

#### Hawk Vision:



**Hawk's Perspective:** CZR looks healthy and a good story though **PENN** remains a favored play in Gaming, and overall a tricky group to gauge right now, good for short-term trading like we have seen in **MLCO** calls.

Confidence Ranking: \$\$