



FEATURED OPTIONS RADAR REPORT



Penn Attracts Size Call Buy into Weakness

Ticker/Price: PENN (\$61)

Analysis:

Penn National (PENN) the April \$65 calls bought 1000X for \$12.45 to open today with earnings on 10-29 and follows buyers in the Dec. \$70 calls, November \$65 calls, and April \$75 calls in size lately. Shares have been strong since March up about 15X from the lows of the year and pulling back to the 23.6% Fibonacci of the run here at \$59.50. A pivot back above the 8- and 21-day at \$65/\$67 sets up for a run back at \$80 and then ultimately air up to \$100. The \$9.42B company trades 43.7X earnings, 2.3X sales, and 7.5X cash with accelerating top and bottom line growth. PENN has a strong recent history closing higher in the last three with an average closing move of 11% and positive commentary in August noting that trends continued to improve all Summer at their brick-and-mortar despite new safety protocols. PENN has transformed themselves into a true omnichannel gaming company with their deal for Barstool Sports earlier this year and rollout of their sports betting app in Pennsylvania recently. The rollout has seen strong adoption with recent survey work showing double-digit download growth in each of the first four weeks despite limited marketing spend and Rosenblatt noting on 10/19 that they are easily on track to hit their 15% share base case. PENN would get a big boost from further legalization efforts with Maryland the biggest decision spot on Election Day this year. Other markets to watch on 11/3 include South Dakota, Louisiana, and Nebraska while NY and California are both largely expected to move forward legalization efforts in 2021. Analysts have an average target for shares of \$66 but Street High is \$100 from Union Gaming. The firm noted on 10/1 that their SOTP analysis shows the sports/iGaming business still trading well below peer multiples and that gap should close as PENN continues to ramp up and execute well in the space, winning market share. They ultimately think PENN is the best play on re-opening and the long-term TAM growth in US sports betting. Short interest is 9.9% and down from almost 18% in June. Hedge fund ownership rose 40.75%. Jericho Capital, Thorntree, and PAR Capital all notable buyers of stock.

Hawk Vision:



Hawk's Perspective: PENN remains a top play on the Sports Betting and overall legalization and online gaming themes, this pullback surely an opportunity but also want to see some price-action improvement and a reversal candle.

Confidence Ranking: \$\$