



FEATURED OPTIONS RADAR REPORT



Expedia Bulls Position into Weakness

Ticker/Price: EXPE (\$92.40)

Analysis:

Expedia (EXPE) closed weak on 10/14 but has seen some bullish trades this week, the November \$95 calls bought 3000X at \$6.10 to \$6.40 and on 10/13 the November \$110 ITM puts sold to open 1000X for \$1.7M. EXPE is a name that saw massive long-term activity into COVID weakness with the January 2022 \$85 and \$90 calls having 33,000 in combined open interest as well as some size in \$100, \$110, and \$125 strikes. EXPE also has size in January 2021 \$60 calls over 19,000X, the \$90 calls over 18,000X and the \$100 calls over 17,000X. The action this week comes after Airbnb announced it will likely IPO in December at \$30B which could revalue Expedia's HomeAway unit. EXPE is a name yet to recover its sharp sell-off earlier this year with the impact continuing across travel but shares forming a nice coiled weekly bull flag above the 21-week moving average and room to run to \$115 on a breakout. The \$12.5B online travel company trades 14X FY22 EBITDA forecasts and carries a lot of debt. Forecasts see revenue growth of 48% in 2021 and 28% in 2022 after the 53% decline in 2020 and likely to become an easy comp story the next few years as the travel industry recovers, a name that would also see a big boost if a vaccine is approved. EXPE will next report in late October and has not presented at any conferences since its earnings call in July. EXPE is using this environment to restructure and significantly cut costs and increase marketing efficiency, moves that should pay off in the long-term as bookings recover. EXPE has undergone a big management shift with Barry Diller back taking more control and they expect to unlock value by utilizing more AI/data to analyze customer habits and make more targeted conversions. The shift under Diller is also likely to accelerate those trends towards lower costs and take better advantage of their scale. Analysts have an average target of \$100 and short interest at 12.7% of the float is back to a three-year high. RBC cut shares to Perform on 9/28 citing competitive risks and a slow recovery in online travel bookings. BTIG raised its target to \$120 in September on its exposure to the surging rentals category and less reliance on business travel. Hedge Fund ownership rose 7.7% in Q2 filings, Melvin and Altimeter Capital notable holders of stock and call options.

Hawk Vision:



Hawk's Perspective: EXPE clearly is in a tough spot but think the long-term outlook remains positive and a name that offers compelling reward/risk with so much negative sentiment baked into shares.

Confidence Ranking: \$\$