



FEATURED OPTIONS RADAR REPORT



Unusual Large Buy in Outfront Media Calls

Ticker/Price: OUT (\$14.40)

Analysis:

Outfront Media (OUT) buyers of 3,350 February \$15 calls this morning for \$1.59 and now volume running over 4490X with buyers at \$1.65 to \$1.70. OUT still has 2,750 December \$17.50/\$12.50 bull risk reversals in open interest from early August buys. Shares have lagged for much of 2020 with weakness in advertising spend but forming a small bull wedge recently under \$15.50 with room back to the 200-day at \$17.50. Above that level there's a big volume gap back to \$26 from earlier in the year. The \$2.1B company trades 27.3X earnings, 1.33X sales, and 3.2X cash with low-double digit growth. OUT will report on 11/4 and strong history closing higher in six of the last seven. They likely continue to see sluggish ad rates in the transit market but they've gotten significant help from MTA as they've renegotiated contracts which gives them short-term relief. OUT has been transitioning more towards digital boards which are more flexible and drive higher ad rates, even in a struggling environment, as they get more imprints per dollar than traditional boards. They could see a strong boost in digital sales into year-end as they noted in August those buys tend to be for timely events which would correlate with the high-volume election spending. Additionally, Advertising Association of America's annual expenditure report noting the long-term impact of their switch to digital on 10/14 as digital out-of-home (DOOH) ad spending is expected to actually increase 1.6% in 2020 and grow by 19.2% in 2021. DOOH is also expected to become about one third of all outdoor ad spending this year and 42% of all spending in 2023 vs 17% in 2015. Analysts have an average target for shares of \$19. Citi recently upgrading to Buy with an \$18 PT citing valuation which has become more attractive this year due to improving trends in company's core markets and the potential for billboard acquisitions. Short interest is 2.5% and down from around 4.5% in July. Hedge fund ownership rose 2%. Activist HG Vora with a new 2.5M share position. Activist Land & Buildings also with a new 1.6M share position.

Hawk Vision:



Hawk's Perspective: OUT should set up well in 2021 for easy comps and a fairly attractive value name as a leader in a niche market, I can see why bulls would be positioning.

Confidence Ranking: \$\$