



## FEATURED OPTIONS RADAR REPORT



### Put Sales in MSG Sports Show Confidence in Vaccine Gap

**Ticker/Price:** MSGS \$171.94

#### Analysis:

**MSG Sports (MSGS)** with over 3,500 February \$165 puts sold to open this week including 2,600 on 11/12 between \$7 and \$5.90. The more than \$2.5M in premium sold at the strike is the largest trade in OI but on 10/16 a trader sold 550 December \$145 puts to buy the February \$155 calls in bull risk reversals. Shares gapped higher this week with the vaccine news and now consolidating in a small range with a breakout above \$180 setting up for a long run. MSGS has a big volume node at \$220 and traded as high as \$300 in February prior to COVID and the shutdown of the NBA season. The \$4.19B company trades 7X sales and 68X earnings. MSGS is a pure-play on two sports franchises, the NY Knicks of the NBA and the NY Rangers of the NHL. The other assets it includes are development teams in the AHL and NBA G League as well as an e-sports franchise. MSGS was spun out from the entertainment properties in April and has traded at a discount to private valuation ranges due to COVID and the shutdown of the leagues. In the latest Forbes rankings the Knicks were valued at \$4B while the Rangers at \$1.55B. Analysts have an average target for shares of \$202. JP Morgan with an Overweight rating and \$195 PT in October noting that shares are currently pricing in a 40% discount to private market valuation and this gap should narrow over the next 14 months as team values move higher. MSCO starting at Buy in July with a \$210 PT. They think in a post-vaccine world there will be a sold-out Madison Square Garden for Knicks and Rangers games and improving on court/ice performance and strong revenue and EBITDA growth potential. Short interest is 4.9%. Hedge fund ownership fell 31% in Q2, Long Pond Capital and D1 Capital both top holders. Silver Lake a notable holder with 1.9M shares and the second largest holder behind owner James Dolan. In November 2019, there were media reports that they wanted to take a bigger stake in the teams and potentially could buy the franchises from Dolan.

#### Hawk Vision:



**Hawk's Perspective:** MSGS is an interesting name with the valuation gap over 30% to private market estimates and the development league teams not included at all. The options are not the most liquid so one to target using stock.

**Confidence Ranking:** \$\$