



FEATURED OPTIONS RADAR REPORT



Unusual Size Call Buyers in Netease

Ticker/Price: NTES (\$93)

Analysis:

NetEase (NTES) weak today down around 4.5% but steady accumulation of the June \$100 calls with over 2,000 being bought between \$8.20 and \$8.90. NTES doesn't attract a lot of notable positioning but does have 400 March \$84 synthetic spreads in OI and sellers in the January \$78 puts on 11/3. Shares are starting to work out of a weekly bull wedge and above \$100 has room up to \$115-\$120 measured target and continuation of the strong trend from mid-2019. The \$64.3B company trades 22.2X earnings, 6.9X sales, and 4.3X cash with a 1% yield. The company has an interesting set of verticals with music arm and an online education platform called YouDao. Gaming is by far their main focus and NTES is the second-largest provider in China with a number of top titles like Fantasy Westward Journey, Onmyoji, and Knives Out. NTES has a big IP portfolio that gives them not just a deep pipeline of future gaming titles (Lord of the Rings, Rise to War, and Infinite Lagrange all big releases set for 2021) but also venturing into areas like feature films and other products. NTES saw core revenue growth of 13% in Q3 with strong monetization through in-game buy and expansion packs. NTES has been rolling out more casual versions of top titles to bring in new players to their legacy SLG (simulation) and ACG-themed games (Anime and Comic based). Analysts have an average target for shares of \$98 with a Street High \$107.60 from Nomura. Goldman positive on 11/2 seeing 25% revenue growth easily achievable as they expand game franchises overseas. Hedge fund ownership fell 16% in Q3. Short interest is 1.5%.

Hawk Vision:



Hawk's Perspective: NTES was a weekly bull wedge pattern highlighted to start the week and a name that gets less attention than peers but in a strong industry and posts great numbers. A move back over \$96 should get it moving.

Confidence Ranking: \$\$