



FEATURED OPTIONS RADAR REPORT



Bullish Play in Park Hotels for Travel Recovery

Ticker/Price: PK (\$13.25)

Analysis:

Park Hotels (PK) with 10,000 September 2021 \$15/\$25 call spreads bought today for \$2, largest trade in the name in some time. PK has seen bullish flow recently in the Jan. 2022 \$7.50 and \$10 calls as well as the ITM Jan. 2022 \$17.50 short puts for around \$8.65, seeing value in the current base. The December \$12.50 calls also in OI over 4,000X. Shares gapped higher on Monday with the vaccine news and looking to consolidate above \$12 and the high-end of the nine-month range. PK traded around \$23.50 in February before the pandemic. The \$3.33B company trades 1.57X sales and 2.6X cash with a 13.5% yield. PK expects to return to profitability within two years as revenues stabilize and demand returns, especially group business in the 2H of 2021. PK is a leading hotel and resort REIT that was spun out of Hilton in 2017. They have around 30,000 rooms under ownership and concentrated in the US after divesting a number of International assets in the last couple years. PK has benefitted during the Summer from a higher percentage of their resorts being 'drive-to' markets like Key West, Santa Barbara, and San Diego. They are on pace to re-open more locations this Fall and close to 74% of total room availability by year-end. PK also has strong exposure to Hawaii which could see a demand pick-up into year-end and early 2021 as both United and Southwest plan to significantly ramp up flights and the State adjusted their COVID policy to include any negative test within 72 hours and not a quarantine. PK has a bit of leverage on the balance sheet and said last week that they are in active discussions on asset sales and optimistic that the 'COVID discount' will narrow soon and there's plenty of capital on the sidelines looking to buy strong properties. Analysts have an average target for shares of \$11. BMO raising to Outperform on 10/13 with a \$13 PT. They like the company's exposure to Hawaii as a predominantly leisure market, it carries few of the long-term business travel recovery concerns. Short interest is 9%. Hedge fund ownership fell 17.5% in Q2, Vulcan Value adding another 1M shares and now with 5.5M. PK has seen a lot of insider buying in 2020 including two directors in June adding over \$530,000 combined at \$10.50 to \$11.20.

Hawk Vision:



Hawk's Perspective: PK story is laid out well here and long term seems like a name that can double from current levels for the patient holder, though would be more of a stock play than options in my view.

Confidence Ranking: \$\$