



FEATURED OPTIONS RADAR REPORT



Kingsoft Risk Reversals Expect Recent Strength to Continue into 2021

Ticker/Price: KC \$46.33

Analysis:

Kingsoft (KC) with buyers of 2450 January \$45 calls for \$3.80 with the \$40 puts sold now over 3,500X for \$1 in bull risk reversals, shares pulling back to the rising 20-day today. KC has been in a strong trend recently after clearing a five-month range above \$40 and longer-term measured move out to \$60. The \$9.59B company trades 10.75X sales and 9.22X cash with 60% revenue growth forecast for FY21. KC is a leading cloud computing company in China with a focus on enterprise services including server, physical hosting, and relational database. They have end-market reach into areas like gaming and video and they're building out support for broader IaaS, SaaS, and PaaS applications. The broader market is a huge opportunity with public cloud investments doubling over the last four years and IaaS a big forward driver. KC sold off last quarter but solid numbers with demand remaining elevated and cloud services revenue up 257%. They noted last quarter they saw a number of enterprise cloud projects resume that had been delayed by COVID and setting up for a strong 2021. Analysts have an average target for shares of \$31, although limited coverage. Goldman positive in June starting coverage at Buy noting that KC is well positioned to capture share in China's fast growing cloud market. They think KC has a solid foothold in video cloud with a strong customer profile and premium customers strategy which gives them a premium over peers. Short interest is around 3%. Hedge fund ownership jumped 178% in Q3, Carmignac Gestion and Tudor both big buyers. Oaktree also starting a new position.

Hawk Vision:



Hawk's Perspective: KC is an interesting company we looked at earlier this Summer and think the opportunity is big given the low-penetration in the broader China cloud space and IaaS opportunity which is in the early innings

Confidence Ranking: \$\$