



FEATURED OPTIONS RADAR REPORT



Longer Term Calls Bought in IQIYI on Weakness

Ticker/Price: IQ (\$21.65)

Analysis:

IQIYI (IQ) buyers of 3000 January 2022 \$25 calls aggressive on \$4.35 offer in early trade and follows recent buyers in the December 31st (W) calls and a sizable opening buy of the June \$22.50 calls, over 4000X. IQ has a sloppy chart and back near the 200-day where it has been trying to stabilize recently. Longer-term, IQ is forming a wide base under \$27.50 with measured move out to \$45. The \$15.95B company trades 3.5X sales and 15.4X cash with accelerating revenue growth, up into the mid-teens in FY21 from high-single-digit this year. IQ is the one of the largest online video sites in the world with over 6B hours viewed per month and a user base that has grown to nearly half a billion people. IQ benefited early in the pandemic as users spent more time on the platform and now seeing a greater shift from mobile viewing into larger-format platforms like TV devices where they are exploring multiple avenues for monetization. IQ has seen softer traffic in the late Summer as new content slowed but they expect to see a big boost in 2021 as more producers shift theatrical releases onto streaming services like IQ and already a very successful test case with the release of The Eight Hundred. The company sees exclusive windows and theatrical streaming as a big driver for a rebound in subs next year. Analysts have an average target for shares of \$22, although limited coverage. Short interest is 5.5%. Hedge fund ownership fell 18% in Q3. Baidu is a top equity holder and interesting catalyst reported by Reuters on 11/27 that noted that both Alibaba, Bytedance and Tencent have held talks about buying a controlling stake in IQ but being held up due to concerns over China's antitrust push.

Hawk Vision:



Hawk's Perspective: IQ is a tough one, potential for an upside stake catalyst, but also been featured in short reports and price-action not healthy while much better names like **SE**, **PDD**, **BILI** are running hard, so likely to pass on this one.

Confidence Ranking: \$