



FEATURED OPTIONS RADAR REPORT



New Gogo Business Focus Attracts Call Buyers

Ticker/Price: GOGO (\$11)

Analysis:

Gogo Inc. (GOGO) a name seeing a lot of options activity the last few weeks and mostly skewed bullish which continued on 12/1 with 35,000 calls trading, 5.5X daily average, with buyer flow in February \$12 calls that traded over 8500X on the day the most notable. GOGO has a large January 2022 \$7 call position of 29,450X in OI, over 12,000 January \$11 calls, and some recent action out in May calls. GOGO shares this week attempting to break out of a large bull flag and reach the highest level since 2017, upcoming Fibonacci retracement levels of the lifetime range are \$14.80 as the 38.2% and \$23 as the 61.8% while \$19 is a 50% retracement target. GOGO is expected to complete the sale of its commercial aviation business in early December 2020. GOGO announced the \$400M cash sale back in September and can now focus on its Business Aviation segment which is home to its 5G offering. GOGO is the leading global provider of in-flight broadband connectivity and wireless entertainment services, with its equipment installed and services provided on approximately 3,200 commercial aircraft and approximately 5,700 business aircraft as of December 31, 2019. GOGO has been hit hard with the travel slowdown but sees the business aviation market as attractive with low customer concentration, a strong market share, recurring revenue model and strong cash flows. GOGO estimates 70% of the US market still does not have broadband connectivity in BA. GOGO has a market cap of \$885M and trading 2.15X Sales with revenues down 44.7% in 2020 but seen snapping back 38% in 2021 and grow another 32% in 2022. In August and September Directors purchased a bunch of stock in the \$3.90 to \$4.50 range. GOGO is seeing improving trends with service revenue +21% Q/Q in Q3 and down just 4% Y/Y. Analysts have an average target of \$12 with short interest still high at 47.5% of the float but hitting a three-year low. Roth Capital noting the sale of its CA unit unlocks the value of the BA unit and sees FCF potential of \$100M by 2023, a Buy rating and \$13 target. William Blair called the new GOGO a high margin monopoly for the business jet inflight connectivity market and sees significant upside in shares. Hedge Fund ownership rose 2.8% in Q3 filings.

Hawk Vision:



Hawk's Perspective: GOGO is an intriguing name, I have concerns on how strong business travel returns, but there is a clear opportunity with penetration low for a solid growth recovery, and could prove to be a nice winner.

Confidence Ranking: \$\$