



## FEATURED OPTIONS RADAR REPORT



### Alliance Data Bulls Position after Upbeat Investor Day

**Ticker/Price:** ADS (\$119)

#### Analysis:

**Alliance Data Systems (ADS)** unusual action today with 750 June \$120 calls being bought \$6 to \$6.30 and follows 4000 June \$130/\$140 call spreads opening yesterday, a name with otherwise minimal open interest. ADS has been a strong performer this year with shares up more than 50% and a current strong trend with shares flagging under recent highs. Despite the big move shares remain well off levels seen back in 2018 when shares were above \$250 and the current flag measures to a \$150 near-term upside target. ADS is a leading provider of data-driven marketing, loyalty and payment solutions serving large, consumer-based industries. Its Card Services business is a comprehensive provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread®, and Comenity-branded financial services. Its LoyaltyOne clients are focused on acquiring and retaining loyal and profitable customers. ADS falls into the value category that has done so well in 2021 with it having a \$5.6B market cap and trading 13.4X EBITDA, 8.15X Earnings and 1.3X Sales with over \$3B in cash. ADS forecasts see revenues down in 2021 due to Q1 but solid growth the rest of the year and into 2022. ADS recently held an Investor Day and continues its progress to digital initiatives. Management seemed upbeat on the ability to produce high single digit to low double digit growth, with the potential for pent-up demand and the expansion of its Bread platform to drive even higher growth over time (which could drive 2023 receivables to be as high as \$20B). The company highlighted contactless payments, frictionless applications, enhanced rewards structures and better data and analytics as various technology initiatives underway. On 5-12 ADS announced its intention to conduct a tax-free spin of its LoyaltyOne business into a separately traded company, which the company expects to occur by the end of 2021. Analysts have an average target of \$133.50 and short interest is 7.4% of the float. Truist raised its target to \$150 from \$95 yesterday seeing upside to estimates with product improvements and a reinvigorated platform. Hedge Fund ownership jumped 11% last quarter with Lyrical, Redwood and Palestra notable top holders.

#### Hawk Vision:



**Hawk's Perspective:** ADS is a name I disliked for many years but the current environment supports its value-emphasis and definitely a potential re-rate play on digital initiatives to growth while also event-driven catalysts, like it to \$150.

**Confidence Ranking:** \$\$