



FEATURED OPTIONS RADAR REPORT



Activision Bulls Position for Recovery Off Support

Ticker/Price: ATVI (\$92)

Analysis:

Activision (ATVI) on 3/22 saw the May \$95 calls active once again with 5,500 trading against open interest of 5,665, likely see more adds to open interest after similar buying on 3/17 when the \$95/\$105 call spreads were active and 2/23 the May \$95 calls the original 2000X. ATVI is a name littered with bullish open interest near and longer-dated, the January 2023 \$105 calls have seen 5,750 accumulate from buys since mid-February, and June \$80 deep ITM calls have 5,445X in OI from a large buy on 7/8/2020. ATVI has pulled back the last six weeks with other COVID beneficiaries as the videogame names are a group seen facing tough comps in 2021 but shares basing the last three weeks along the rising 21-week EMA and just above VWAP off the November lows while remaining firmly in a bull trend. ATVI needs to clear \$93.50 for a move out of this basing pattern. The \$70.5B videogame maker trades 21.6X Earnings, 8.7X Sales and 32.4X FCF with a 0.5% dividend yield, and revenues seen rising 5.4% in 2021 versus tough 2020 comps when revenues jumped 24.6%, but ATVI still a strong growth outlook. Call of Duty is one of ATVI's key franchises along with Overwatch, World of Warcraft, and Diablo, while its King Digital deal positioned it well in mobile. Blizzard is focused on some major content upgrades for its key franchises in 2021 and also launched the Arcade Collection earlier this year. ATVI expects multiple years of earnings power driven by multiple initiatives in mobile and the addition of new franchises. It also has a two year, \$4B buyback to utilize. King recently launched Crash Bandicoot on mobile and is coming off a strong quarter. ATVI on its latest call noted "We saw early returns from our initiatives to transform our largest franchises through compelling premium content, more robust in-game operations, expanding to mobile and ramping new engagement models, including advertising and especially expanding free-to-play opportunities to attract new players." Analysts have an average target of \$113 and short interest is low at 1.2% of the float. Benchmark raised its target to \$118 in February after the Blizzcon Conference revealed exciting game reveals and updates and sees Diablo and Overwatch scaling to over \$1B annual revenues. Argus raised its target to \$122 seeing ATVI continuing to broaden its videogame audience thanks to its efforts with casual/free-to-play games, downloadable content, e-sports tournament play, advertising, internet and television broadcasting. Hedge Fund ownership fell 9.2% in the latest quarter filings.

Hawk Vision:



Hawk's Perspective: ATVI is a favored name and back at optimal entry, would like to see it clear these short-term moving averages, but a name looking good for these May \$95 calls.

Confidence Ranking: \$\$