



FEATURED OPTIONS RADAR REPORT



Unusual Call Buy in Financial Data/Analytics Leader

Ticker/Price: CBOE (\$108.24)

Analysis:

CBOE Holding (CBOE) with 1100 December \$110 near-the-money calls bought for \$8.60 to \$10.10 on 5/10 as a large position in a name that sees minimal options activity. CBOE does have 2400 June \$130 short calls from a 2/11 trade and 1500 June \$125 short calls while 1350 November \$125 calls opened in April and September \$120 puts do have 1000X from a buy on 4/8. CBOE shares have dipped 17% YTD despite the volatile market and nearing a major long-term VPOC that aligns with VWAP off March 2020 lows in the \$103-\$106 zone, also a retest of a 2021 breakout. CBOE is a leading provider of market infrastructure and tradable products, delivers cutting-edge trading, clearing and investment solutions to market participants around the world. CBOE provides trading solutions and products in multiple asset classes, including equities, derivatives and FX, across North America, Europe, and Asia Pacific. CBOE currently has a market cap of \$11.5B and jumped last August on reports CME Group (CME) offered \$16B in a stock-deal that was later denied. CBOE is trading 16.9X Earnings, 11.4X FCF and 3.3X Sales with a three-year forward revenue CAGR of 6.15% and EBITDA CAGR of 5%. CBOE has been pushing into the data and analytics space aggressively seeking recurring revenue growth and sees a \$37B opportunity while also taking interest in the crypto/digital space. Secular tailwinds from globalization of markets, rise of retail, and demand for data underpin growth of Cboe's data and access solutions franchise. Non-Transactional revenues now account for 43%. A recent acquisition of ErisX (expected to close in 1H22) provides CBOE with an integrated crypto ecosystem for trading, spot clearing and derivatives. The crypto market is expected to grow at least 25% CAGR over the next 3-5 years and fills a demand for a regulated and transparent digital asset marketplace. Analysts have an average target of \$140 and short interest is low at 1.2% of the float. Citi and Deutsche Bank each lowered targets to \$145 recently on increased market uncertainty. CSFB started at Neutral in February concerned with execution uncertainty related to customer adoption and market share gains.

Hawk Vision:



Hawk's Perspective: CBOE is looking attractively valued here with a 6% FCF yield and coming into key technical support, a tough market right now, but a name with a strong reward/risk at this level.

Confidence Ranking: \$\$