



FEATURED OPTIONS RADAR REPORT



Charter Bulls Position for Weekly Breakout to New Highs

Ticker/Price: CHTR (\$650)

Analysis:

Charter (CHTR) buyer of 500 June \$710 calls this morning for \$12.80 and name that has a lot of size Jan. 2023 bull put spreads in open interest from February. CHTR has also seen buyers in the June \$650 calls in mid-February that remain in open interest, a \$2M+ position. CHTR is currently working out of a weekly bull wedge and rounded base with a move above \$675 measuring out to \$765. Shares have been a relative strength leader since March. The \$125B company trades 23X earnings, 2.6X sales, and 17.5X FCF. CHTR sees mid-single digit revenue growth and 40% EPS growth in FY22. The company is coming off a strong quarter 2.2M net adds for Internet customers and strength in residential specifically. They see their core ad business bouncing back in 2021 and a lot of opportunity for long-term broadband penetration and market share growth after spending over \$35B over the last five years investing in their network. CHTR was at the Deutsche Bank Media conference in early March noting that they expect to have more selling opportunities in 2021 as more people move as well as their initial build-outs in rural markets. Analysts have an average target for shares of \$675 with a Street High \$800. Wells Fargo starting coverage last week at Overweight with a \$763 PT. The firm thinks CHTR has plenty of opportunity to expand margins beyond expectations and they prefer their pureplay nature vs peers. They note the execution strategy is simple: “grow broadband net additions, raise margins, and compound earnings into free cash flow for stock repurchases.” Short interest is 4.25%. Hedge fund ownership fell 7% in Q4. Sands Capital and Bluespruce top buyers.

Hawk Vision:



Hawk's Perspective: CHTR has been a favorite name for a while and sets up nicely for a longer-term move, a bit extended but would ideally wait for it to consolidate in a handle between the \$650/\$670 range

Confidence Ranking: \$\$