



## FEATURED OPTIONS RADAR REPORT



### Media Company Draws Bullish Positioning into Discounted Valuation

Ticker/Price: CMCSA (\$40.40)

#### Analysis:

**Comcast (CMCSA)** saw a lot of bullish activity on 5/5 with more than 2500 October \$42.50 calls bought in offer sweeps at \$2.49 and buyers active in January \$40 and \$42.5 calls with more than 4000 of each trading. On 5/4 a trade sold 5000 October \$35 puts to open and recent buyers in October \$45 and July \$42.5 calls. CMCSA also has 25,000 June \$42.5 and 25,000 January \$40 short puts in open interest. CMCSA sold off sharply last week but interestingly held right at VWAP from the August 2015 low and has solid support in the \$35/\$40 zone. CMCSA is a global media and technology company with three primary businesses: Comcast Cable, NBCUniversal and Sky with 76% of EBITDA coming from Cable and Media/Studio/Sky/Theme Parks smaller contributors. Cable Communications offers broadband, video, voice, wireless, and other services while NBC Universal has launched its Peacock DTC streaming service. CMCSA has a market cap of \$190B and trades 10X Earnings, 7.3X EBITDA and 12.75X FCF with a 2.5% dividend yield and 8.5% FCF yield. CMCSA revenues have a forward three year CAGR of 3.1% and EBITDA at 6.2%. The cable/satellite group is challenged by rising competition and slower broadband additions. CMCSA sees its shares undervalued and is utilizing buybacks while having a low cost of debt with shares near their cheapest level compared to the S&P in over a decade. CMCSA recently announced a JV with Charter to develop a new streaming platform, an interesting move. Analysts have an average target of \$57 with short interest low at 1.5% of the float. MSCO has a \$55 target and calls CMCSA the top pick in the space. BAML cut shares to Neutral recently noting that ramping fixed wireless access deployments and accelerating fiber builds present real threats to Comcast's broadband subscriber business.

#### Hawk Vision:



**Hawk's Perspective:** CMCSA is cheap and has great assets with some intriguing potential down the road but the core business is slowing. It is the kind of name attractive for put sales, such as January \$40 puts for \$4.50, willing to be long at an even cheaper \$35.50/share.

Confidence Ranking: \$\$