Bullish Option Trades See Opportunity into Comcast Weakness

Ticker/Price: CMCSA ($40.35)

Analysis:

Comcast (CMCSA) on 2/28 with almost 15,000 July $42.5/$32.5 bull risk reversals opening through the afternoon and also buyers active in January $50 calls that added nearly 20,000 to open interest. CMCSA pulled back sharply last week with the market having some exposure to Theme Park weakness from COVID-19 impact but held right at trend support off its 2018 lows as well as a 50% retracement of the 2018/2020 range and retested its 2019 breakout level. It also is a potential loser if the Olympics were to be canceled. The $187B company now trades 11.8X Earnings, 15.55X FCF and 8.2X EBITDA with a 2.28% dividend yield. Forecasts see CMCSA revenues rising 5% in 2020 with EBITDA seen increasing 2.2%. CMCSA will speak at the MSCO Media Conference on 3-3. It recently announces a deal for XUMO, an advertising-supported steaming service and has launched its Peacock streaming service as it looks to fight the impact of cord-cutting. Interestingly, Comcast also has a 19% stake in Peloton (PTON). Analysts have an average target near $50 while short interest low at 1.8% of the float but near a five-year high. On 2/4 MoffettNathanson upgraded shares to Buy with a $52 target noting valuation is too cheap to ignore and either NBC Universal or Sky is being priced at less than zero. On 1/24 Benchmark called the post-earnings selloff a buying opportunity seeing cable weakness transitory and expects results to strengthen in 2H20 with the Olympics and Political events. Benchmark rates shares Buy with a $64 target. UBS downgraded shares in January noting 2020 is an investment year and increased expenditures will pressure EBITDA. Hedge Fund ownership fell 2.7% in Q4 filings, Findlay Park adding to its large position, now a 3.89% portfolio weighting.

Hawk Vision:

Hawk's Perspective: CMCSA is a quality name trading very cheap thought he Olympics overhang remains a concern as it could severely hurt 2H results if canceled, so would prefer to wait this one out.

Confidence Ranking: $$