



El Dorado Spread Looks for Gaming Co. to Rebound

Ticker/Price: ERI (\$45.70)

Analysis:

Eldorado Resorts (ERI) spread today bought 4,000 June \$45 calls for \$6.45 and spread with a sale of the \$60 calls 7,000X at \$1.50. ERI has over 7,400 March \$50 calls in OI from buyers back in October while the \$55 calls also with over 3,300 from buys. The April \$50 calls bought 2700X on 2-26 as well and 10,000 January \$70 calls bought last week too for more than \$3M. ERI has been popular with insiders as well with more than \$1.5M in stock bought since August between \$37 and \$40. ERI has also seen some ITM puts open into weakness, most notably 4,000 June \$60s last week. Shares have been weak off of 52-week highs made in February but bouncing today right off of 3-year VPOC and a big consolidation area that stretches back to early 2018. The \$3.88B company trades 22.75X earnings, 1.5X sales, and 16X cash. ERI expects to earn over \$2.50/share by FY22 with the close of their deal for Caesars (CZR). ERI has made a number of moves ahead of the close including divesting assets like Isle Cape Girardeau and Mountaineer and setting up as a premier regional casino play in the US. They're also more insulated than peers to potential International slowdowns, particularly in Asia, and have optionality from growth in sports betting with their William Hill partnership. Analysts have an average target for shares of \$61. Stifel positive in January citing the healthy consumer backdrop and potential for considerable value to be created for stakeholders as the pending acquisition of Caesars (CZR) is successfully integrated. Short interest is 26.9%, elevated due to the CZR deal. MSCO with a \$65 PT noting they think ERI has the ability to grow pro forma EBITDAR to greater than \$4B in 2021. Hedge fund ownership rose 4% in Q4. Point Break Capital, PAR Investment, Point 72, Park West, Jericho Asset Management, Antara Capital, Baupost, and Westfield Capital all notable buyers. HG Vora a top holder as well.

Hawk Vision:



Hawk's Perspective: ERI is in a tough group right now and think we need time to allow these names to calm from the travel impact fears, and ratio spreads are often short hedges. The name has value if we see the virus die off.

Confidence Ranking: \$\$