



GDS Holdings Bullish Trades Accumulate in Open Interest

Ticker/Price: GDS (\$53.70)

Analysis:

GDS Holdings (GDS) with 500 March \$48 calls being bought today for \$7, some January calls adjusting, and continues a multi-week theme of buying ITM March calls where the \$47 strike had 2,200X, the \$49 calls with 2,000, and the \$50 calls with over 5,450X. GDS also seeing 1,000 June \$50 calls bought on 12-19. GDS broke out of a big multi-month range in early December that measures up to \$70+ with the 8-EMA supportive on the recent run. The rising 20- and 50-MA below are ideal support on a pullback, the latter aligning with the breakout. The \$8.15B company trades 15X sales and in the early stages of profitability with expectations for \$0.45/share by FY21, up from a \$0.35/share loss in 2019. They've consistently hit 40-45% sales growth the last couple years and see it settling into a high-30% range through FY21 as they rapidly expand capacity (adding 20,000 sq. meters last quarter) to meet data center demand in China. GDS is benefiting from some significant themes like cloud growth and 5G, the latter becoming a significant area of focus for China in the tech race with the US. As a result, GDS is seeing demand from hyperscale customers jump from three customers in 2016 to 13 in 2019 and they believe the opportunity in is just starting to develop with capex from some of the biggest players like Huawei, Kwai, Amazon AWS, JD, Ping An, Alibaba and Tencent all set to rise in 2020. Analysts have an average target for shares of \$56. Sun Trust with a \$55 PT noting that data center demand in China relative to existing supply remains extremely unbalanced while RBC with a \$62 PT and expecting more growth in Tier 1 cities in 2020. Short interest is 8.6%. Hedge fund ownership fell 2.5% in Q3. Sachem Head an interesting buyer of a new 1.4M share position.

Hawk Vision:



Hawk's Perspective: GDS looks like it could break higher out of this 2020 consolidation flag and continues to see a ton of bullish positioning, one of the more interest China Tech names to own.

Confidence Ranking: \$\$