



FEATURED OPTIONS RADAR REPORT



Large Bull Spread Sees New Highs for Activist Situation at Long-Term Support

Ticker/Price: HEAR (\$29.90)

Analysis:

Turtle Beach (HEAR) buyer of 10,000 January \$32/\$42 call spreads on 9/13 for \$2.25 and follows a buyer of 5,000

October \$34/\$26 bull risk reversals on 7/28 that remain in open interest. HEAR also had 1,600 January \$40 calls bought in May that remain. Shares are breaking out of a bull flag to start the week and above VWAP from the June highs with a big volume shelf at \$30.65. A run higher targets \$36.50. The \$475M company trades 17.2X earnings, 1.15X sales, and 8.5X cash with double-digit growth. HEAR is a top player in the \$8.5B gaming accessory market with leadership in the \$1.7B console headset market. The company has been expanding into new PC gaming accessories as well as microphones to expand their TAM while they plan to enter new verticals like flight simulator control systems and XBOX controllers. HEAR is coming off a strong quarter while recent NPD sales data for their top categories remains robust with 40% growth in headsets, keyboards and mice in the 1H of 2021. HEAR has been an activist situation recently with Donerail acquiring a stake in May and urging the company to pursue a sale. The fund approached the company with an offer to buy them for \$34.50 in July and then raised that offer to \$36.50 in August despite management's refusal to engage in talks. Donerail continues to see their offer as strong but remains committed to helping the board seek a prospective buyer willing to pay what they deem as appropriate. Analysts have an average target for shares of \$36.50 with a Street High \$45 from OpCo. The firm was out positive in June noting that recent product announcements are intriguing entry into two new product categories and those new products are differentiated and compelling comparing to competing products. Lake Street with a \$40 PT citing increased investments in growth, new product launches and the company's rapidly growing PC accessories business which can produce growth. Hedge fund ownership fell 12% last quarter. Donerail has a 1.1M share stake, top holder in the name.

Hawk Vision:



Hawk's Perspective: HEAR is clearly an event-driven situation currently but the setup against the current base and 200-MA is strong and these upside spreads seem like a nice risk/reward

Confidence Ranking: \$\$