



FEATURED OPTIONS RADAR REPORT



JD.com Calls Target Recovery through Summer

Ticker/Price: JD (\$75)

Analysis:

JD.com (JD) size buyer into weakness today of 11,500 September \$77.50 calls for \$4.90 to \$5.20, back at the 8-EMA on the move down today. JD has seen bullish flows recently including the August \$70 calls, October \$65 calls, and September \$100 calls while the December \$77.50 puts sold to open earlier this week. JD still has size in the October \$67.50 calls as well over 13,000X. Shares are forming a multi-week base under \$80 with room above to \$90+ and around the February breakout spot. Longer-term, shares pulled back just above the 50% retracement of the massive run from the 2018 lows. The \$118.7B company trades 29.5X earnings, 1X sales, and 20.7X FCF. JD is forecasting 20% revenue growth in FY22 and accelerating EPS growth with over \$2.50/share in FY23. The company is coming off of a strong quarter and topping 500M active users while retail operating margins continue to expand as they leverage recent tech investments. JD is seeing a higher mix of high-frequency, small and medium-sized staples in their retail business as well which is helping drive margins. The company continues to expand their growth bets after last year's successful healthcare IPO and looking to grow out property and logistics, the latter aiming for a \$3.4B IPO in Hong Kong. Analysts have an average target for shares of \$100 with a Street High \$133. Susquehanna positive on 5/21 citing the company's positioning in the China e-commerce market and advantages of its hybrid 1P/3P model. The analyst sees potential for longer-term upside from its advertising and logistics scaling, and the company's ability to successfully incubate new businesses. Hedge fund ownership fell 17.5% in Q1. Walmart added another 23.7M shares and Tencent added another 2M shares.

Hawk Vision:



Hawk's Perspective: JD is tricky right now because of concerns around regulation in China and Washington but the near-term setup presents a nice risk/reward for a flier in a high-quality name with a massive long-term opportunity ahead of it

Confidence Ranking: \$\$