



FEATURED OPTIONS RADAR REPORT



Bulls Position for Bottom in Large Cap Tech Leader at Cheap Valuation

Ticker/Price: META (\$163.70)

Analysis:

Meta Platforms (META) is seeing large bullish options positioning since changing its ticker with 125,000 January 2024 \$420 way OTM calls bought on 6/15 for over \$35M, a buyer of 10,000 Nov. \$200 calls on 6/17 for \$10M as well as 2500 October \$170/\$195 call spreads, and a buyer of 3000 August \$170 calls on 6/15 for \$5.5M. META shares touched fresh multi-year lows last week but are showing a bullish RSI divergence on the weekly and has long-term trend support near \$156.50 while weekly MACD nearing a bull crossover. Shares have plenty of overhead resistance but can start working on a recovery from these levels. META now reports in two segments with Family of Apps the advertising business and Reality Labs its augmented and virtual reality products. The \$435B company trades at trough multiples of 11.8X Earnings, 10.95X FCF and 3.65X Sales while having a debt-free balance sheet and \$45B in cash. At 7X FY22 EBITDA and with a 5.5% FCF yield shares are being priced for a slowing advertising environment amid recessionary concerns. Management commentary sentiment has scored weak the last few quarters with challenges from the Apple iOS changes, tough comps, competition from TikTok and increased spending. Management sees the advertising business returning to better revenue growth with high margins and plans to use income to fund the growth of the Reality Labs business. The shift to short-form videos has been a drag on revenues due to less monetization that will eventually inflect positively. In Q1, the total number of ad impressions served increased 15% and the average price per ad decreased 8%. Reels monetization will be a critical catalyst moving forward and the recent hiring freeze could add to FCF. Sheryl Sandberg stepped down as COO earlier this month. Analysts have an average target of \$295 with short interest low at 1.2% of the float. Piper has a \$220 target seeing headwinds from TikTok competition and further privacy issues but sees potential for beat and raises as estimates have already come down quickly to account for weaker revenues and pricing under pressure. Citi on 6/2 noting that revenue growth should accelerate in 2H22 as investment spending slows and has a \$300 target on shares.

Hawk Vision:



Hawk's Perspective: META is getting tough to avoid at these levels and if have a 3-5 year outlook one likely does very well owning shares here. For options, want to see markets stabilize and a close above the 8-MA at minimum.

Confidence Ranking: \$\$