



## FEATURED OPTIONS RADAR REPORT



### Melco Call Buyers Expect Asia Gaming Rebound to Continue

**Ticker/Price:** MLCO (\$20.60)

#### Analysis:

**Melco (MLCO)** size buyers of 10,000 October \$21 calls up to \$2.45/\$2.50 and follows sellers in the October \$20 and April \$20 puts recently. MLCO has seen buyers in the July \$20 calls and January \$20 calls this year as well. MLCO shares have traded well since late January and putting in a hammer reversal today back above the value-high from February. A run above the 8-day at \$21.15 and out of a narrow bull wedge has room back to recent highs and a longer-term measured move to \$26. The \$10B casino operator trades 28.5X earnings, 5.8X sales, and 5.7X cash with a 2.4% yield. MLCO is looking for a bounce-back year with reopening in Asia and sees 127.3% growth in FY21 and then 33% growth in FY22 when they expect to return to profitability. MLCO had a mixed quarter but they expect the early reopening months to be less predictable while positioned well for long-term traffic recovery in later 2021 and early 2022. They've seen a sharp bounce back in both premium mass and premium direct, areas where they thrive historically given their leading luxury integrated resorts, and the upcoming completion of the Phase 2 expansion at Studio City as well as the March opening of Nuwa should both help those trends continue. MLCO expects March to be a major inflection point for the pent-up demand in the region while business trends in the Philippines and further Macau COVID restrictions lifted are also near-term drivers. Analysts have an average target for shares of \$21.50 with a Street High \$30 from Roth Capital who thinks MLCO remains the go-to recovery name in the region as they are more focused on premium mass than competitors and that segment has led the recovery so far. CLSA upgraded shares to Buy from Sell recently and JP Morgan positive as they think the trend continues to be less bad market-wide gross gaming revenue trends while 2022 gaming estimates likely have more upside than downside. Short interest is less than 0.60%. Hedge fund ownership fell 5% in Q4, Lomas Capital adding 1.4M shares.

#### Hawk Vision:



**Hawk's Perspective:** MLCO is attractive for the year with the reopening theme but especially given the lack of Las Vegas exposure if we start to see an uptick in US COVID cases vs Asia, and setting an alert for a move above that \$21.50 mark

**Confidence Ranking:** \$\$