

SPOTLIGHT OPTION TRADE



Opportunity in Chinese Internet Carnage as Peak Selling Over, Sentiment Shifting

TRADE SNAPSHOT

TICKER	PDD
SECURITY	Pinduoduo
SECTOR	Consumer - Ecommerce
CURRENT PRICE	\$99.40
LONG/SHORT	Long
TARGET	\$120
STOP	\$91
TIMEFRAME	1 Month

Trading Strategy: Long the PDD November \$105/\$115 Call Spreads at \$2.60 Debit

Net Debit/Credit: Debit of \$2.60

Profitability Zone: PDD Above \$107.60 on November OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: PDD has seen some strong accumulation since the August lows and broke through three month trend resistance with a volume pocket overhead and room to move back to some key VWAPs near \$120. PDD's 8-MA has bullish crossed the 21-MA as a sign of near-term momentum. A higher potential target is a 38.2% retracement to \$127. PDD bottomed right at the key 2020 volume zone from which a parabolic move higher started. The \$101.50 level key near-term as a volume node breakout and the 21-week is at \$103.80.



Fundamental Analysis: PDD operates a next-generation ecommerce platform utilizing a feed-based shopping format integrating social and personal tailored advice. It is creating a whole new fun and interactive shopping experience. Pinduoduo has also become China's largest online platform for agricultural products by enabling direct selling from farms to the dining tables. Pinduoduo has built one of the world's largest online communities in the past 5 years by focusing on bringing consumers more savings and more fun. PDD operates China's largest online agriculture platform with over \$40B worth of agricultural products sold in 2020 and 16M+ farmers on the platform and is promoting the digitalization of the agriculture industry with its recently announced Agriculture Initiative.

PDD has a market cap of \$125B and trades 18.75X Earnings and 8.7X EV/Sales with revenues rising 120% and 97.6% the past two years and 96% growth seen in FY21 while EBITDA rises 143%. PDD is trading like a value stock while having characteristics of a hyper-growth stock, an odd divergence due to China regulatory concerns which seem to be abating. Last quarter PDD reported its first ever positive non-GAAP operating profit margin at 13.8% and 3P revenue grew stronger-than-expected at 64% Y/Y. PDD's user engagement has remained robust, with its time spent share amongst major ecommerce platforms rising to 37% in 2Q, vs. 32% a year ago.

Regulatory threats are the biggest risk though much of it now seems priced into shares. The tightening regulation on community group buying, particularly on lower-than-cost pricing behaviors, will potentially shift the market share expansion strategies across major CGB platform. The recent laws and regulations related to data security and personal information protection could have a negative impact on merchants' advertising ROI and thus cloud the development of PDD's ads product offerings, as per management.

BAML raised its target to \$148 in August on sustained growth and margin upside. China Renaissance upgraded to Buy on 8/6 with a \$150 target noting PDD's model is intact and regulatory risks are being overstated.

Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob.ITW	Premium Paid	Symbol	Current Price	Current OI
10/20/2021	PDD 100 17 DEC 21 120 CALL	1,159	360	\$2.63	0.23	54.61%	16.68%	\$304,817	.PDD2111217C120		
10/20/2021	PDD 100 17 DEC 21 115 CALL	1,562	153	\$3.60	0.29	55.06%	22.15%	\$570,130	.PDD2111217C115		
10/19/2021	PDD 100 17 DEC 21 95 CALL	508	253	\$10.40	0.59	58.69%	49.85%	\$528,320	.PDD2111217C95	\$10.43	743
10/19/2021	PDD 100 (Weeklys) 14 APR 22 110 CALL	1,003	1,814	\$9.47	0.45	53.14%	30.96%	\$1,023,060	.PDD220414C110	\$9.47	2814
10/18/2021	PDD 100 19 NOV 21 115 CALL	5,357	4,208	\$1.80	0.2	60.24%	15.25%	\$980,331	.PDD211119C115	\$1.70	11007
10/18/2021	PDD 100 19 NOV 21 104 CALL	1,199	0	\$4.00	0.379	58.05%	31.59%	\$479,600	.PDD211119C104	\$4.30	1252
10/18/2021	PDD 100 19 NOV 21 101 CALL	1,100	0	\$5.50	0.46	61.01%	38.70%	\$605,000	.PDD211119C101	\$5.59	1146
10/18/2021	PDD 100 18 FEB 22 100 CALL	472	0	\$9.90	0.51	53.54%	39.05%	\$497,960	.PDD220218C100	\$11.10	472
10/18/2021	PDD 100 17 DEC 21 95 PUT	1,005	21	\$8.00	-0.42	57.93%	50.99%	\$809,025	.PDD2111217P95	\$8.10	1033
10/18/2021	PDD 100 (Weeklys) 26 NOV 21 80 CALL	350	0	\$16.20	0.82	69.10%	75.69%	\$567,000	.PDD211126C80	\$16.20	350
10/15/2021	PDD 100 (Weeklys) 5 NOV 21 97 CALL	1,009	23	\$3.20	0.42	49.42%	37.32%	\$327,925	.PDD211105C97	\$4.80	547
10/14/2021	PDD 100 19 NOV 21 95 CALL	1,913	1,847	\$6.70	0.52	60.69%	44.03%	\$1,291,275	.PDD211119C95	\$8.40	3843
10/14/2021	PDD 100 (Weeklys) 29 OCT 21 84 PUT	1,057	17	\$1.40	-0.18	61.63%	21.96%	\$145,866	.PDD211029P84	\$0.39	544
10/13/2021	PDD 100 19 NOV 21 115 CALL	2,127	1,383	\$2.25	0.23	57.23%	18.11%	\$489,210	.PDD211119C115	\$1.70	11007
10/12/2021	PDD 100 19 NOV 21 105 PUT	1,008	595	\$13.69	-0.67	61.33%	73.61%	\$1,461,600	.PDD211119P105	\$11.90	1618
10/8/2021	PDD 100 19 NOV 21 90 CALL	3,741	2,501	\$11.75	0.66	65.81%	57.50%	\$4,395,675	.PDD211119C90	\$11.48	6043
10/8/2021	PDD 100 19 NOV 21 85 CALL	3,092	198	\$14.71	0.743	68.26%	66.35%	\$4,548,332	.PDD211119C85	\$14.84	3304
10/7/2021	PDD 100 (Weeklys) 29 OCT 21 109 CALL	8,158	14	\$1.20	0.182	57.20%	14.73%	\$978,960	.PDD211029C109	\$0.44	7812
10/5/2021	PDD 100 (Weeklys) 14 APR 22 90 CALL	613	175	\$13.55	0.553	56.71%	39.14%	\$830,615	.PDD220414C90	\$18.50	667
10/4/2021	PDD 100 (Weeklys) 14 APR 22 75 PUT	701	236	\$9.45	-0.307	59.94%	47.25%	\$662,445	.PDD220414P75	\$4.90	833
10/1/2021	PDD 100 20 JAN 23 100 CALL	2,352	958	\$17.15	0.542	54.16%	30.40%	\$4,033,680	.PDD230120C100	\$21.50	3543
9/30/2021	PDD 100 (Weeklys) 14 APR 22 90 PUT	1,157	671	\$14.00	-0.413	54.05%	57.11%	\$1,619,800	.PDD220414P90	\$11.15	1760
9/28/2021	PDD 100 19 NOV 21 90 CALL	1,044	170	\$8.55	0.54	65.10%	43.80%	\$897,840	.PDD211119C90	\$11.48	6043
9/24/2021	PDD 100 (Weeklys) 14 APR 22 90 PUT	500	71	\$12.45	-0.37	56.06%	53.16%	\$622,500	.PDD220414P90	\$11.15	1760
9/15/2021	PDD 100 (Weeklys) 22 OCT 21 90 CALL	402	101	\$12.10	0.7	58.64%	63.18%	\$468,330	.PDD211022C90	\$7.75	562
9/14/2021	PDD 100 (Weeklys) 14 APR 22 110 CALL	1,501	177	\$13.70	0.51	54.07%	35.21%	\$2,056,370	.PDD220414C110	\$9.47	2814
9/13/2021	PDD 100 (Weeklys) 29 OCT 21 65 PUT	1,656	106	\$0.63	-0.04	81.88%	7.90%	\$165,600	.PDD211029P65	\$0.06	937
9/13/2021	PDD 100 (Weeklys) 14 APR 22 100 PUT	503	65	\$14.95	-0.38	56.04%	54.84%	\$829,950	.PDD220414P100	\$16.00	742
8/30/2021	PDD 100 19 NOV 21 100 CALL	811	269	\$8.70	0.48	59.01%	37.29%	\$705,570	.PDD211119C100	\$5.93	3249

Potential Catalysts: Earnings Expected Mid-November

Disclaimer:

Not Investment Advice or Recommendation

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