



Pinduoduo Bulls Looking for Rebound to New Highs

Ticker/Price: PDD \$37.75

Analysis:

Pinduoduo (PDD) shares pulling back to 6-month VPOC and starting to turn higher yesterday out of a base with the January \$40 calls bought 3000X at \$5.80 offer earlier in the week, some September calls adjusting. PDD is one of the more active names for bullish flows with March \$37 and \$40 puts sold to open while the September \$46, April \$34, and April \$40 calls bought in size lately, over 35,000X. A move out of this downtrend above \$37.25 has room to \$40 in the near-term but longer-term wedge breakout targets a run over \$44. The \$45.4B company trades 7.86X cash, 12.66X sales and moving into a rapid expansion of profitability with \$0.18 in earnings in FY20 and \$1.14 in FY21. PDD continues to see strong GMV growth, up 144% Y/Y, while their user base expands and active spending was up 75%. PDD continues to be a quiet winner in the massive Chinese e-commerce market and taking incremental share from JD and Alibaba. PDD is looking for greater retention and customer spending to help advertising ROI which will improve monetization. They're also looking to make listing easier for merchants with AI reducing ineffective marketing spend. Analysts have an average target for shares of \$37. Keybank with a \$50 PT and thinks revenue will be higher, but profitability will be lower in 2020 given an increasing mix in branded/subsidized GMV. That said, they also expect a larger profit in 2021 as the cohort ages on the larger customer base. Short interest is 2.3%. Hedge fund ownership rose 51.3% in Q3 with Altimeter Capital and Tiger Global big buyers.

Hawk Vision:



Hawk's Perspective: PDD looks great to work out of this downtrend and make a run back at new highs. The risk reward vs last weeks lows a nice setup.

Confidence Ranking: \$\$