

SPOTLIGHT OPTION TRADE



Buy the Penn Gaming Dip into March Madness

TRADE SNAPSHOT

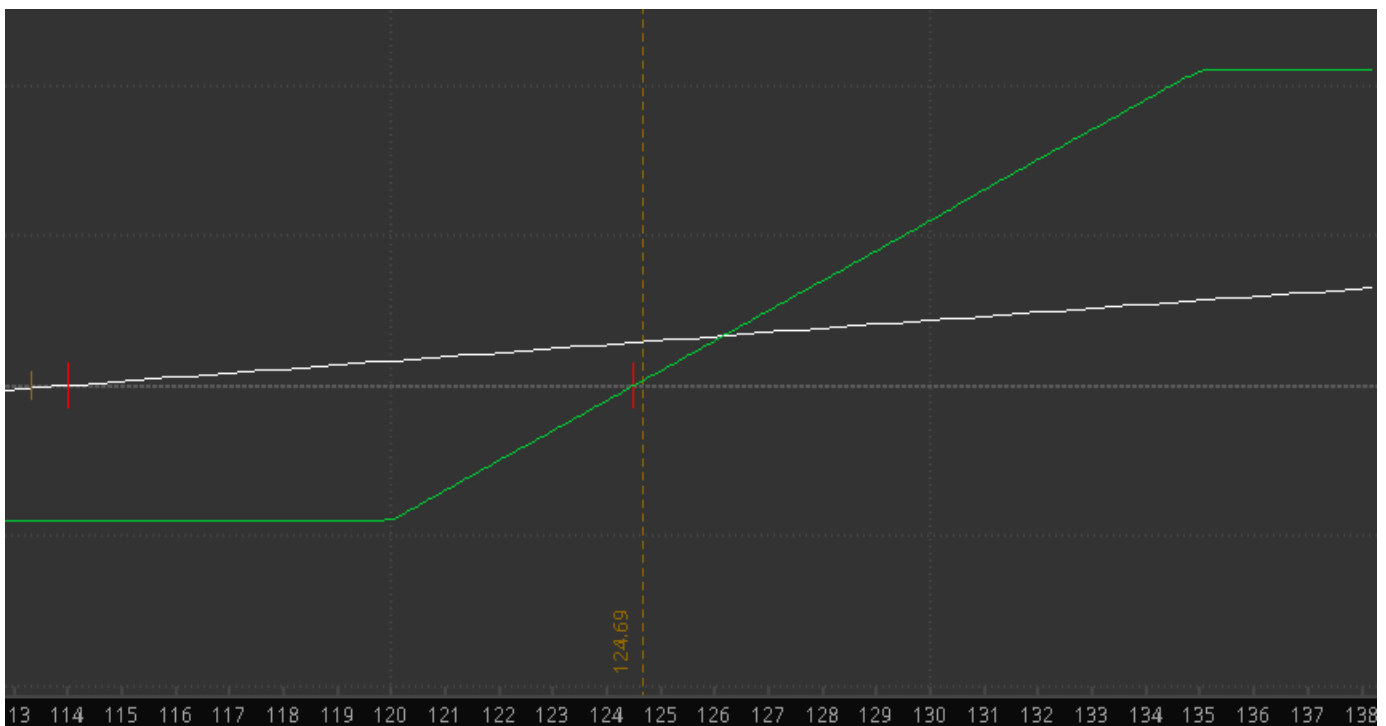
TICKER	PENN
SECURITY	Penn National Gaming
SECTOR	Consumer Services – Casino & Gaming
CURRENT PRICE	\$113.58
LONG/SHORT	Long
TARGET	\$140
STOP	\$104
TIMEFRAME	2 Months

Trading Strategy: Long the PENN April \$120/\$135 Call Spreads at \$4.50 Debit or Better

Net Debit/Credit: Debit \$4.50

Profitability Zone: PENN Above \$124.50 on April OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: PENN a strong momentum name has pulled back to the rising 13-day moving average as well as VWAP off the late January reversal low. It has a bit of room to retest the flag breakout back near \$110 but could stabilize here before resuming a move higher to reach its measured move target of \$140.



Fundamental Analysis: PENN has been a very strong name over the past year benefitting from sports betting legalization and the expanding Barstool empire. Despite the strong move PENN still has a market cap of just \$16.2B trading 45.5X Earnings with revenues seen rising 39% in 2021 and EBITDA seen up 55%. PENN should benefit from March Madness betting in March-April while also a play on reopening for its brick and mortar casino locations. PENN is likely to continue expanding its online app to other states and win market share. Analysts have an average target of \$110 and short interest elevated at 11.7% of the float. Craig Hallum raised its target to a Street high \$150 last week. Truist moved its target to \$135 and sees significant pent-up demand for land-based gaming. PENN's CEO expects to be live in 10 states by year-end. A few interesting notes from the latest earnings call:

- Michigan's launched weekend had 68% more first time depositors than Pennsylvania's initial weekend. And the daily active users were nearly 2/3 higher than the average daily active users in Pennsylvania during 2020.
- Our next to launch state will be in Illinois, where we plan to go live prior to March madness, pending regulatory approval, of course. And from there, we'll continue to roll out in new states every 3 to 5 weeks or so until we're operational in 10 or more states by the end of 2021.
- In the meantime, on the legislative front, we're focused on the enabling legislation for voter-approved sports betting laws in Louisiana and Maryland, and we're aggressively lobbying in 2021 for new opportunities for sports betting in Ohio, New York, Texas, Massachusetts and Missouri, among others.
- So we have all of this overhead costs. We've been ramping our Penn Interactive division around staffing. We now have over 250 people. We've got 100 product development and engineers. And that's all now being spread. All that cost is being spread across 2 states, right? So you can imagine as you scale this thing to 10 states, 11 states, 12 states, which is where we plan to be by the end of '21, you have all that much more dry powder to spend on growing the funnel and widening that funnel of acquisition

Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vo	Prob.ITM	Premium Paid	Symbol	Current Price	Current OI	Price Change	OI Differential
2/10/2021	PENN 100 (Weeklys) 26 FEB 21 130 CALL	3,510	345	\$3.05	0.27	79.19%	21.29%	\$1,070,245	.PENN210226C130				
2/8/2021	PENN 100 19 MAR 21 105 PUT	1,032	362	\$5.43	-0.26	76.05%	34.51%	\$572,760	.PENN210319P105	\$5.87	1706	8.10%	22.38%
2/8/2021	PENN 100 16 APR 21 140 CALL	10,200	190	\$9.80	0.4	76.86%	28.12%	\$9,996,000	.PENN210416C140	\$7.60	10203	-22.45%	-1.80%
2/5/2021	PENN 100 19 FEB 21 125 PUT	1,014	66	\$5.25	-0.385	68.86%	43.99%	\$532,350	.PENN210219P125	\$10.55	460	100.95%	-57.41%
2/3/2021	PENN 100 19 MAR 21 100 PUT	530	204	\$7.15	-0.31	79.58%	41.39%	\$378,950	.PENN210319P100	\$4.34	3065	-39.30%	317.57%
2/2/2021	PENN 100 19 FEB 21 94 PUT	1,003	21	\$1.68	-0.16	81.76%	21.24%	\$168,504	.PENN210219P94	\$0.29	1027	-82.74%	.29%
2/2/2021	PENN 100 (Weeklys) 5 MAR 21 120 CALL	964	67	\$6.85	0.42	80.58%	32.64%	\$660,340	.PENN210305C120	\$7.60	1017	10.95%	-1.36%
1/29/2021	PENN 100 16 JUL 21 55 PUT	1,128	26	\$3.35	-0.088	91.41%	23.25%	\$377,880	.PENN210716P55	\$1.81	1103	-45.97%	-4.42%
1/25/2021	PENN 100 19 MAR 21 85 PUT	607	29	\$4.75	-0.22	82.67%	31.94%	\$288,325	.PENN210319P85	\$1.27	712	-73.26%	11.95%
1/25/2021	PENN 100 16 APR 21 80 PUT	613	250	\$5.21	-0.19	81.71%	31.61%	\$319,373	.PENN210416P80	\$2.25	1395	-56.81%	61.65%
1/22/2021	PENN 100 (Weeklys) 26 FEB 21 115 CALL	1,007	33	\$8.60	0.466	77.65%	37.08%	\$866,020	.PENN210226C115	\$8.00	1091	-6.98%	4.90%
1/21/2021	PENN 100 18 JUN 21 130 CALL	630	20	\$12.90	0.43	76.71%	25.64%	\$812,700	.PENN210618C130	\$16.45	696	27.52%	7.08%
1/20/2021	PENN 100 16 APR 21 90 PUT	669	248	\$8.01	-0.27	76.65%	40.71%	\$535,869	.PENN210416P90	\$3.85	357	-51.94%	-61.07%
1/20/2021	PENN 100 16 APR 21 120 CALL	704	161	\$10.00	0.43	74.54%	29.51%	\$704,000	.PENN210416C120	\$14.10	487	41.00%	-43.70%
1/14/2021	PENN 100 19 MAR 21 105 CALL	476	0	\$13.50	0.57	74.46%	44.90%	\$642,600	.PENN210319C105	\$17.85	968	32.22%	103.36%
1/13/2021	PENN 100 16 JUL 21 130 CALL	201	10	\$13.60	0.43	73.66%	24.56%	\$273,360	.PENN210716C130	\$19.00	965	39.71%	357.35%
1/12/2021	PENN 100 19 FEB 21 70 PUT	2,005	1,257	\$0.67	-0.05	82.56%	8.52%	\$134,335	.PENN210219P70	\$0.03	3579	-95.52%	9.72%
1/6/2021	PENN 100 19 FEB 21 110 CALL	6,066	746	\$3.10	0.26	77.54%	18.25%	\$1,880,460	.PENN210219C110	\$8.97	6348	189.35%	-6.81%
1/6/2021	PENN 100 19 FEB 21 105 CALL	1,475	413	\$5.02	0.35	77.95%	25.27%	\$752,250	.PENN210219C105	\$14.75	1394	193.82%	-26.17%
1/6/2021	PENN 100 19 FEB 21 100 CALL	3,256	1,440	\$6.45	0.41	78.30%	31.14%	\$2,100,120	.PENN210219C100	\$17.50	3758	171.32%	-19.97%

Potential Catalysts: No Scheduled Events

Disclaimer:**Not Investment Advice or Recommendation**

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