



FEATURED OPTIONS RADAR REPORT



Bulls Position in Penn Gaming into Key Pullback to Support

Ticker/Price: PENN (\$92.70)

Analysis:

Penn Gaming (PENN) was one of the first names to see bullish activity on 4/27 with October \$105 calls being bought and ended the session trading more than 4500 of these contracts at \$11.95+, a sizable premium outlay. PENN action has cooled recently but still has some size in June call open interest strikes though these trades the most notable now. PENN shares have been trading weak since peaking in mid-March and trying to hold the rising 34-week moving average which has been supportive in several momentum names in 2021, though VWAP from the start of the big move last July aligns closely with a retest of the flag breakout from December at the \$73 level. PENN's 200-day moving average is down near \$80 and a 38.2% Fibonacci level at \$89.30 from the 2020/2021 range is looking to be potential support here, the 50% retrace is back at \$73. PENN shares also are holding trend support off the 2020 key lows. The \$14B regional gaming company has become a key player in the sports betting theme and also expanding its media empire with its transformational deal for Barstool Sports last year. PENN currently trades 35X Earnings, 3.95X Sales and 70X FCF with revenues seen rising 40% in 2021 and EBITDA up 55%. PENN will next report on 5-6. Analysts have an average target of \$110 and short interest is 8.6% of the float. Needham started coverage this week at Buy with a \$151 target and has a bull case of \$350/share. It is positive on the online sports betting and iGaming markets and sees PENN taking significant and profitable market share with Barstool's differentiated content-driven customer acquisition strategy. Its notes the market is still in its infancy with only ~25% of the population having access to OSB and ~10% to iGaming, and sees further favorable regulatory tailwinds. On 3/23 Goldman raised its target on PENN to \$153 increasing its forecasts for the TAM. JPM in mid-March noted the big opportunity for micro-betting. BAMCO has a near \$1B stake in PENN, Whale Rock a \$475M position, and Duquesne with \$130M.

Hawk Vision:



Hawk's Perspective: PENN bottomed at an expected level giving a pretty solid reward/risk in a leading name that has a long runway for growth and is not overly expensive on valuation, liking the flow here.

Confidence Ranking: \$\$