OptionsHawk

FEATURED OPTIONS RADAR REPORT

As Telecom Spending Ramps Amid 5G Push, Best-of-Breed Tower Stock to Benefit

Ticker/Price: SBAC ($334)

Analysis:

SBA Communications (SBAC) rare large trade in the name on 10/4 seeing buyers of the November $340 calls from $9.90 to $10.20 to open in the afternoon, 1500X. SBAC has seen smaller bull flows including 500 December $340 calls bought for more than $1M in July and 400 December $250 puts sold to open. SBAC has been in a strong trend higher since March 2021 and pulling back recently to the 23.6% Fibonacci of the run. A move back above the 21- and 55-EMA at $345 can re-test $360 and then new highs. A major area of support is lower at $317 and the 200-EMA. The $36.22B company trades 80X earnings, 16.5X sales, and 44X FCF with a small yield. SBAC has been a big beneficiary of 5G investments in the US and finished Q2 with record-high services backlogs. They've been capturing a lot of bigger long-term contracts in 2021 as well with revenue ramp starting to kick in in 2022 and giving them confidence to raise their outlook. Additionally, SBAC should benefit from higher ramps in spending activity by both Verizon and Dish in 2022. Analysts have an average target for shares of $366 with a Street High $405. MSCO raising their PT to $405 from $337 on 9/10. The firm sees high visibility on strong domestic tower organic growth for 2022 given the record 5G leasing cycle while their absolute multiples still make sense in a REIT context. SBAC is their top pick. Citi with a $404 PT as they think SBA should trade at a valuation premium to its tower competitors given its operating and financial leverage to an improving domestic leasing environment. Short interest is 1.3%. Hedge fund ownership rose 1.5%.

Hawk Vision:

Hawk's Perspective: SBAC is a best-of-breed name that has pulled back to a nice risk/reward for a run back at recent highs, on watch above $338

Confidence Ranking: $$