



Sinclair Call Buy into Capitulation Move

Ticker/Price: SBGI (\$23.47)

Analysis:

Sinclair Broadcasting (SBGI) large late day trade on 2/27 bought 5000 January \$25 calls up to \$4.60 to open while 1500 September \$32 short calls were bought back to close. SBGI shares have fallen steeply the past year and back to its lowest level since 2013. The \$2.2B television broadcasting company trades 5.4X Earnings, 5.55X FCF and 6.7X EBITDA with a 3.41% dividend yield and a large debt load. EBITDA is seen growing 290% in 2020. SBGI did a large deal in 2019 acquiring Regional Sports Networks (RSN) from Disney (DIS) and expects to benefit from sports betting. SBGI also expected to be a beneficiary of the surging political ad spending in 2020. Sinclair is currently in negotiations with Comcast to carry its networks. On the latest call it noted “2020 is off to a strong financial start, with political spending running well ahead of the 2016 spending for the same period. And as a reminder, we expect 2020 to be our highest political revenue on record.” SBGI also went on to say “I do want to mention that there has been some misinformation in the marketplace that has unfortunately depressed our stock valuation. In fact, if you do a sum of the parts on us, you will find that our current stock price ascribes no value to our Sports segment, despite having over 70% of the RSN subscribers locked in, including: multi-year deals completed with Charter, AT&T, DIRECTV, Mediacom as well as 200 other completed deals of medium and small distributors; having very few team renewals on the horizon; \$1.6 billion of liquidity as of year-end 2019; exclusive rights on linear and digital; and future sports setting and synergy opportunities. Based on the current trade levels of our stock, it's hard to argue that there's a better return for us in repurchasing our own shares. And while we repurchased over 4.5 million shares in 2019 at these trading levels, we will look to be more aggressive.” Analysts have an average target of \$45 on shares and short interest is 7.5% of the float. B. Riley out positive on 2/27 reducing its target to \$35 seeing shares at a 30% discount to the value of its broadcast station portfolio and its stations are performing in line or better than peers, and thinks shares are overreacting to no update regarding Comcast or DISH carriage negotiations; and ambiguity around the trajectory of net retrans growth.

Hawk Vision:



Hawk's Perspective: SBGI is clearly an ugly chart and the market hating debt-ridden names, but also an intriguing value name at these depressed levels if managing risk paired with puts.

Confidence Ranking: \$\$