## Bullish Call Buyers Target Gaming Services Leader Amid Transformation

**Ticker/Price:** SGMS ($70.25)

**Analysis:**

**Scientific Games (SGMS)** sweep buyers January $70 calls $9.40 offer, aggressive orders, trading 860X and later 5,000 January $85 calls bought for $4.70 to $5. SGMS has seen buyers recently in the January 2023 $80 calls and October $75 calls. Shares are flagging in a small range above its rising 8-EMA and just below recent highs at $80.50. A breakout has a longer-term measured move to $100. The $6.93B company trades 31.37X earnings, 2.26X sales, and 18.75X FCF. SGMS outlined a potential strategic plan in June to divest their lottery and sports betting businesses, creating a path to delever and invest in the long-term future of both. The moves are part of a broader plan outlined in May to become more focused on content and growth in digital markets where they see significant potential. SGMS continues to evaluate their options for how to move forward and could IPO the businesses or look to combine with other players through a SPAC vehicle. Both businesses are also thriving with SGMS noting last week that they have seen strong returns from R&D into games like MONOPOLY and other properties as the North American market continues to bounce back strong and new product rollouts should continue to give them opportunity to drive share gains. Analysts have an average target for shares of $69 with a Street High $100 from Craig-Hallum. The firm was out raising estimates on 8/10 as they think SGMS transformation has been underappreciated. The analyst notes that both Lottery and its sports betting business are performing well, and he thinks there are several attractive options to monetize, streamline Scientific Games' corporate structure and significantly deleverage. Short interest is 7.25%. Hedge fund ownership rose 2% last quarter. Nantahala Capital a buyer of 1.1M shares and Bluefin Capital adding call options.

**Hawk Vision:**



**Hawk's Perspective: SGMS** is setting up well for a continued move back towards recent highs and the story is very attractive with both the macro backdrop and clarity around their strategic actions drivers into year-end

**Confidence Ranking:** $$