

Sony's (SNE) Strong Trend Setting Up Back at the 50-MA

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Sony (SNE) strong setup with shares pulling back just above the rising 50-day MA and name with bullish open interest including 5,000 March \$75 calls bought \$1.35 to \$1.40 on 2-4. SNE also had buyers in the June \$67.50 calls at \$8 on 1-14 as well as buyers in the June \$65 calls around \$8 on 1-7. The April \$70 calls and Jan. \$80 calls also with smaller but high dollar buys. SNE shares have a measured target up to \$80 on the current run with the 50-MA at \$69 a nice reward/risk setup. MACD is almost reset back near zero as well.



The \$91B company trades 15.3X earnings, 1.16X sales, and 13.5X FCF with a small yield and minimal short interest. SNE has been a portfolio shift story over the last year with their new CEO jettisoning slower areas and re-focusing on cloud-based gaming, DTC entertainment and AI solutions. The company's image sensors business has seen strong demand behind growth in camera specs for the Samsung and Huawei phones and SNE recently pushing capacity out in December. They've had an activist involved in Third Point who was out on 1-31 again pushing for the company to draw up a plan to spin off its chip unit and sell other holdings ahead of the next shareholders meeting. Analysts have an average target for shares of \$68. Gabelli with a \$92 PMV and Buy rating on 10-24. The firm thinks SNE is a 'reawakening giant' as it is now focused on faster growing parts of its portfolio. They like the increased attention on faster growing gaming/music businesses and shrinking the conglomerate discount with the company's first two major buybacks. The firm also thinks that, theoretically, SNE could be a good target for some mega-caps like GOOG, AAPL, AMZN, FB or Tencent that are looking to accelerate their entry into video games. Hedge fund ownership fell 40% in Q3 but almost all due to Soroban Capital selling 3.8M shares. Carlson Capital and Third Point both remain top holders.

Trade to Consider: Long **SNE** March \$70 Calls for \$1.90 or Better