



FEATURED OPTIONS RADAR REPORT



Bulls Positioned for China Travel Beneficiary

Ticker/Price: TCOM (\$27)

Trip.com (TCOM) has pulled back the last two weeks and been seeing notable bullish option trades while having large size already in June positioning. TCOM has 10,000 June \$27 calls from a buyer for \$2.45M on 1/28, 20,000 June \$29/\$34 call spreads with the \$24 puts sold to open and 10,000 June \$22 short puts in open interest with those trades mostly occurring in December. Recently TCOM has seen 3000 June \$28 calls bought on 2/23 as well as 1500 September \$32 calls, and opening sales in March \$30 and June \$29 puts. TCOM's rally in January stalled at the falling 200-day moving average and this week is pulling back to both a 50% retracement and VWAP off the lows, so an interesting spot considering the flows to get involved. TCOM is a leading travel service provider for accommodation reservation, transportation ticketing, packaged tours and corporate travel management as a top brand in China and strengthened its market position via its investment in Qunar. TCOM is the largest consolidator of hotel accommodations in China in terms of gross merchandise volume and the largest consolidator of airline tickets and the top air tickets distribution agency in China. TCOM has been benefitting from higher vaccination rates driving more normal travel rates and pent-up demand. TCOM has a market cap of \$18B and trades 36X FY22 EBITDA and 4.5X EV/Sales with revenues seen accelerating to 28% growth in 2022 and 40% growth in 2023 and EBITDA seen reaching \$1.2B in 2023 from \$154M in 2021. On 2/18 the NDRC issued new guidelines that support the pandemic recovery in a shift away from Covid-zero policy that should start to accelerate the reopening trade in China. TCOM screens fairly cheap for a name set to see accelerated growth at roughly 15X FY24 earnings with a 34% revenue CAGR and 177% EBITDA CAGR. Analysts have an average target of \$34 and short interest is down 30% Q/Q to just 2% of the float. Citi raised its target to \$35 last week positive on travel checks in China into March earnings. Barclays started shares Overweight with a \$33 target on 2/8 expecting a sharp and swift recovery of the China travel market.

Hawk Vision:



Hawk's Perspective: TCOM has pulled back to a nice level and makes a lot of sense as a name that can work in this tough tape. The June \$28/\$34 call spreads for \$1.80 are a nice option and could even be financed with short puts if comfortable.

Confidence Ranking: \$\$