



Trip.com Calls Surge as Shares Break Out of Weekly Bottoming Pattern

Ticker/Price: TCOM (\$36.30)

Analysis:

Trip.com (TCOM) with buyers of more than 6,000 February \$38 calls this morning up to \$1 and volumes now over 11,000. Today's flow follows over 1200 of the September \$40 calls bought yesterday around \$2.65. TCOM still has 6500 June \$35 puts sold to open that remain in OI and finding value around current levels. TCOM shares are trying to work back above the 200-day MA this week with the 8-EMA support just below today's range with the recent base targeting \$45 on a move higher. TCOM is forming a big higher low vs the October range as it looks to bottom and work out of a downtrend from the 2018 highs up near \$60. The \$20.26B company trades 18X earnings, 4X sales and 3.2X cash with expectations for accelerating EPS growth (19.5% to 25% through FY21). Revenue growth is expected to remain steady at 13.5% and 15%. TCOM has favorable tailwinds from growing air travel within China with the number of annual passengers up to 611M in 2018 vs just 230M in 2009, and expected to continue with wide adoption among China's growing middle class. TCOM has a number of verticals to take advantage including reservations, transportation ticketing, packaged tours, corporate travel, and other destination services. In November, they reported their 12th straight quarter of triple-digit growth for air ticketing volumes while revenue is being driven by higher International ticketing demand. On 11-13 they announced a JV with TripAdvisor (TRIP). Analysts have an average target for shares of \$42.80 with 15 buy ratings and 4 hold ratings. Mizuho positive in November after earnings seeing geopolitical weakness as a short-term issue. TCOM remains the "best-in-class" online travel agency globally due to easing competitive pressure within China and outbound travel opportunities with limited competition. Short interest is 2.3%. Hedge fund ownership jumped 45% in Q3. Jane Street Capital, Point72, and Broad Peak Investments notable buyers.

Hawk Vision:



Hawk's Perspective: TCOM is a China play that has flown under the radar as peers have run, so like the flows and potential for a run to \$40 near-term.

Confidence Ranking: \$\$