



FEATURED OPTIONS RADAR REPORT



Bull Spread Anticipates Upside for Small-Cap Media Stock Followed by M&A Speculation

Ticker/Price: TGNA (\$19.50)

Analysis:

Tegna (TGNA) with a notable spread on 9/20 that bought 10,000 January \$22 calls for \$0.95 and spread with the April \$25 calls sold for \$0.45 to open. The action follows a buyer of 3,000 January \$22/\$25 call spreads on 9/16 for \$0.55. TGNA has run strong lately and breaking a downtrend from the April highs near \$21.50 with room up to \$20.80 and an untested VPOC from May. The weekly shows a strong trend in 2021 that has pulled back to the 38.2% Fibonacci retracement and has a measured move to \$26 on a breakout. The \$4.34B company trades 6.5X earnings, 1.4X sales, and 7.6X FCF with a 2% yield. TGNA is a media company in the US that operates TV stations and a growing digital footprint. They also provide solutions for advertisers through their Tegna Marketing Solutions business across both TV and digital platforms like OTT. TGNA is coming off of a strong quarter with strength in their subscription business, accelerating ad revenue, and better cost controls. They expect subscription revenue to grow in the high-teens in 2021 and accelerate in 2022. TGNA has been a consolidator in the space with over 16 stations bought since 2017 and most, if not all, fully integrated and reaching their synergy goal ahead of schedule. The recent deals come after the sale of Cars.com and CareerBuilder in 2017 and now a more-focused entity on their core market and growing marketing solutions business. Their balance sheet is strong with net leverage under 3X and no debt maturing until 2024, so a lot of potential opportunity to deploy capital in an effective manner. TGNA was embroiled in a multi-year fight with activist Standard General who has been pushing for board seats and wanted the company to explore a sale. This was the second proxy fight TGNA had faced from the firm and they won both with all twelve of their nominees re-elected in May. In early 2020, there were four different companies that had submitted takeover proposals to the company but talks didn't progress far with the pandemic settling in around March. Media reports last week indicated that the company had hired JP Morgan to solicit revised bids by 9/20 and could run a sale process depending on what they yield. Analysts have an average target for shares of \$20, although limited coverage. Hedge fund ownership fell 6% last quarter. Standard General remains a top holder with a 10.6M shares despite selling some of their stake.

Hawk Vision:



Hawk's Perspective: TGNA is clearly an event-driven situation and carries a lot of interest as evidenced by last year's activity and the news today; the January \$22/\$25 call spread as high as \$1 offers a nice risk/reward that they'll get further interest and the sale process can play out

Confidence Ranking: \$\$