



FEATURED OPTIONS RADAR REPORT



Tencent Music LEAPS Hot as New Highs Reached

Ticker/Price: TME (\$21.45)

Analysis:

Tencent Music (TME) traded 22,850 calls on 1/12 which was nearly 5X daily average with notable buyer flow in longer-dated options as 4,000 January 2022 \$25 calls, 4000 January 2022 \$30 calls, 1500 January 2023 \$17 calls, and 1000 each of the January 2023 \$27 and \$30 calls saw buying. TME has a lot of open interest in July \$19, \$20, and \$21 calls as well but mostly from opening sales in December trades. TME shares have seen a strong move since March lows more than doubling and now clearing the March 2019 highs, upside Fibonacci extension targets at \$23, \$25.50 and \$31.75. TME is China's leader in audio including online music and karaoke services, audiobooks, podcasts, and music-centric livestreaming services. TME has a dominant leadership position and is focused on driving paying user growth, a number that jumped 46% last quarter. The \$35B Tech company trades 39X Earnings, 6.4X FY21 EV/Sales and forecasts see revenues growing 30% in 2021 after 15% growth in 2020 while EBITDA seen rising more than 40%. TME has been heavily investing in new products and growth initiatives and also signed a multi-year licensing agreement with Merlin in November. Analysts have an average target of \$18.75 while short interest at 27% of the float continues to rise, up 61% Q/Q. Analysts have been quiet in the name lately with no major notes. Tencent remains a major holder with a \$27.5B stake.

Hawk Vision:



Hawk's Perspective: TME high short float keeps me a bit hesitant and considering how much I like SPOT, rarely see the need to play TME. The longer term positioning is interesting if shares pull back and base nicely.

Confidence Ranking: \$