



FEATURED OPTIONS RADAR REPORT



Call Buyer Targets Timeshare Leader, Eyes Continued Recovery in Leisure Travel

Ticker/Price: TNL (\$53)

Analysis:

Travel & Leisure (TNL) with a large buy of 3,000 January 2023 \$60 calls for \$6.30 to \$6.40 to open. TNL also seeing buyers active today in the November \$60 and \$62.50 calls, 1600X each. TNL has limited open interest but did see buyers of 1600 August \$60 calls in May. Shares are weak today after earnings, down around 6%, and looking to hold the 200-MA after a pullback from the May highs. TNL has made a strong run from the March 2020 lows, back up through the pre-COVID highs, and recent pullback is also back-testing that level around \$53.50. A move back above \$57.50 can target \$65. TNL is a \$4.9B provider of timeshare properties, formerly under the Wyndham Destinations brand, as well as a portfolio of nearly 20 resort, travel club, and vacation experience brands like Club Wyndham and WorldMark. They have a big part of the timeshare market with 867K owners and more than 3.7M members across their property footprint of 247 resorts. TNL has strong FCF conversion and benefits from a predictable revenue stream for about 50% of their overall EBITDA. The company has outpaced peers like VAC and HGV in gross VOI sales in each of the last four quarters and booking trends have been steadily above 2019 levels as leisure travel dominates the return to flight for many travelers. TNL expects to launch new subscription travel clubs in Q3. Shares trade 10.93X earnings, 2.2X sales, and 23X FCF. Short interest is 2%. Hedge fund ownership fell 5.5% in Q1, Point72 a buyer of stock. Analysts have an average target for shares of \$76 and a Street High \$81. Deutsche Bank positive in April citing their positioning in the sweet spot of both emerging travel trends and relative valuation to peers while timeshare properties could be more attractive other travel ventures like cruise ships or casinos given the lingering threat of a resurgence of COVID. JP Morgan positive noting that there remains optimism that the U.S. consumer should spend more and travel more given fiscal stimulus programs and relatively high savings rate.

Hawk Vision:



Hawk's Perspective: TNL is positioned well for a recovery in leisure travel, despite the current concerns around the Delta variant, and valuation is attractive given the pullback recently. A move back above \$58 is important to regain some momentum

Confidence Ranking: \$\$