

Expedia Bulls See Limited Downside After Pullback

Date: 1/9/19



Expedia shares have pulled back over 17% from the August highs but continue to draw bullish flow as it forms a bullish wedge under \$120. The weekly picture shows an improving MACD curling back up and RSI breaking out ahead of price, a positive divergence, with \$125 a high-volume node just above. The longer-term channel has room back to \$155/\$160. On 1/9, a trader sold 5,000 June \$105 puts to buy the \$120/\$135 call spread at a net zero cost. The June \$125 puts have over 17,500 in open interest from sellers in October while the \$135 calls have over 9,000 in open interest spread against them in risk reversals.

Date	Description	Volume	Open_Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paid	Symbol
1/9/2019	EXPE 100 21 JUN 19 120 CALL	5,021	70	\$7.73	-4.57%	0.46	31.85%	37.62%	\$3,866,170	.EXPE190621C120
1/9/2019	EXPE 100 21 JUN 19 105 PUT	5,007	442	\$5.64	12.80%	-0.31	33.70%	38.93%	\$2,954,130	.EXPE190621P105
1/9/2019	EXPE 100 21 JUN 19 135 CALL	5,012	9,011	\$2.93	-18.61%	0.24	30.09%	18.25%	\$1,553,720	.EXPE190621C135
12/13/2018	EXPE 100 18 JAN 19 120 CALL	951	919	\$4.20	-25.00%	0.508	29.20%	47.19%	\$399,420	.EXPE190118C120
12/13/2018	EXPE 100 18 APR 19 110 PUT	542	514	\$4.70	23.68%	-0.999	--	100.00%	\$254,740	.EXPE190418P110
12/10/2018	EXPE 100 18 JAN 19 125 CALL	1,575	3,435	\$2.65	38.74%	0.35	30.50%	31.03%	\$441,000	.EXPE190118C125
11/7/2018	EXPE 100 18 JAN 19 125 CALL	2,028	1,081	\$7.40	27.59%	0.62	24.14%	58.23%	\$1,500,720	.EXPE190118C125
11/1/2018	EXPE 100 17 JAN 20 105 PUT	1,470	727	\$6.80	1.49%	-0.22	31.89%	33.92%	\$999,600	.EXPE200117P105
10/23/2018	EXPE 100 21 JUN 19 120 PUT	1,000	4,335	\$12.00	-0.83%	-0.51	30.51%	60.71%	\$1,200,000	.EXPE190621P120
10/10/2018	EXPE 100 21 JUN 19 120 PUT	1,657	1,842	\$11.10	7.77%	-0.44	29.55%	53.96%	\$1,839,270	.EXPE190621P120
10/8/2018	EXPE 100 21 JUN 19 125 PUT	3,200	16,280	\$11.70	-2.50%	-0.45	29.35%	54.84%	\$2,016,000	.EXPE190621P125
10/8/2018	EXPE 100 21 JUN 19 120 PUT	1,601	274	\$9.90	2.06%	-0.41	29.38%	50.73%	\$1,681,050	.EXPE190621P120
10/8/2018	EXPE 100 21 JUN 19 135 CALL	1,600	8,026	\$8.30	-17.00%	0.42	29.25%	33.19%	\$1,376,000	.EXPE190621C135
10/8/2018	EXPE 100 21 JUN 19 130 CALL	805	80	\$9.45	-40.57%	0.46	29.36%	36.77%	\$760,725	.EXPE190621C130
10/3/2018	EXPE 100 21 JUN 19 125 PUT	3,409	11,296	\$10.00	8.11%	-0.4	28.39%	49.11%	\$3,477,180	.EXPE190621P125
10/3/2018	EXPE 100 21 JUN 19 135 CALL	1,705	5,525	\$10.00	-4.76%	0.47	28.62%	38.01%	\$1,722,050	.EXPE190621C135
10/2/2018	EXPE 100 21 JUN 19 125 PUT	2,000	5,430	\$9.40	4.44%	-0.38	28.23%	47.56%	\$1,880,000	.EXPE190621P125
10/2/2018	EXPE 100 21 JUN 19 135 CALL	1,000	2,527	\$11.70	3.54%	0.49	28.39%	40.12%	\$1,170,000	.EXPE190621C135
10/1/2018	EXPE 100 21 JUN 19 125 PUT	1,000	4,430	\$8.90	-4.30%	-0.36	28.28%	45.58%	\$890,000	.EXPE190621P125
9/28/2018	EXPE 100 21 JUN 19 125 PUT	4,031	410	\$9.30	1.09%	-0.37	28.98%	46.50%	\$3,748,830	.EXPE190621P125
9/28/2018	EXPE 100 21 JUN 19 135 CALL	2,014	17	\$11.48	-9.61%	0.505	28.65%	41.14%	\$2,312,072	.EXPE190621C135

The \$16.9B company trades 17.5X earnings, 1.5X sales, and 17.4X cash with a 1.12% yield and 15-20% EPS growth. EXPE expects 10.5% revenue growth in each of the next two years to nearly \$14B. The company raised guidance in October and sees bookings growth of 11% driven by mid-single digit travel growth across Europe, Asia, and Latin America. The company has made some key investments in recent years like Home Away and Orbitz which continue to help trends and 2019 should be a positive year for margins as they transition to a fully cloud-based system. One key catalyst to watch is the new commission rate with Marriott. Bloomberg reported on 1/3 that two sides are working out a deal and could lead to discussions with other hotel operators.

Analysts have an average target for shares of \$145 with 17 buy ratings and 10 hold ratings. Goldman upgraded shares to Buy on 1/4 with a \$140 PT. The firm is positive given TripAdvisor and Booking's recent ad spend rationalization which puts EXPE in a better relative position. MSCO downgraded shares on 1/9 to Neutral noting that online hotel penetration is approaching 50% in the U.S. and Europe which will lead to a period of slower room growth and increased investment.

Short interest is 6.2% but near three-year lows. Institutional ownership was flat last quarter. PAR Investment Capital a notable holder with 7M shares.

Trade to Consider: Long the EXPE April \$120 Calls for \$8 or Better

