

TradeWebs Set to Break IPO Range Higher

Date: 6/17/19

TradeWebs (TW) shares have pulled back to the May breakout level around \$41 and key trend support from the IPO run higher in April. MACD is back around zero with RSI at 46 and potential for a nice reversal higher after basing at the 50-day MA. A move higher targets \$46 with a channel target higher around \$50. TW has bullish open interest in the October \$40 and \$45 calls as well as the \$40 short puts. The July \$40 calls also have bullish OI from buyers.



Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic
5/20/2019	TW 100 21 JUN 19 50 CALL	2,089	346	\$0.60	20.00%	0.19	45.17%	15.84%	\$125,340
5/8/2019	TW 100 18 OCT 19 45 CALL	1,111	293	\$3.70	19.35%	0.45	47.61%	33.26%	\$411,070
5/7/2019	TW 100 18 OCT 19 40 PUT	1,019	1,033	\$4.90	6.52%	-0.45	46.65%	56.93%	\$540,070
5/6/2019	TW 100 18 OCT 19 40 CALL	316	287	\$4.80	4.35%	0.57	46.44%	44.20%	\$151,680
4/25/2019	TW 100 19 JUL 19 40 CALL	1,098	145	\$3.80	26.67%	0	#ERROR!	0.00%	\$417,240
4/25/2019	TW 100 19 JUL 19 45 CALL	1,030	212	\$1.70	11.11%	0	#ERROR!	0.00%	\$175,100
4/11/2019	TW 100 18 OCT 19 45 CALL	241	49	\$3.20	50.94%	0	#ERROR!	0.00%	\$89,170

The \$9.38B company trades 39.8X earnings, 13.7X sales, and 25.3X cash with mid-teens EPS growth and a 0.77% yield. TW sees 8.9% and 7.2% revenue growth through the next two years. TW builds and operates electronic marketplaces for asset classes like rates, credit, money markets and equities. The company is capitalizing on the growth in electronic trading and data for fixed income. The company reported \$665.5M in ADV in April, a new record.

Analysts have an average target for shares of \$41.5 with 2 buy ratings and 12 hold ratings. Sandler O'Neil has a \$42 PT for shares and Hold rating. They believe strongly in the company's unique story, management team and position to benefit from the conversion of fixed income, but they think the 49% run-up since the IPO fairly prices in the company's organic growth opportunities. The firm also sees possibility for a potential "double-dip" scenario, where the company was an IPO while still being an acquisition candidate. MSCO has a \$41 PT seeing valuation full but they see it as an attractive play on the electrification of fixed income markets. BAML has a \$42 PT. "Given multiple growth initiatives, structural and cyclical tailwinds, margin upside, and healthy cash flow, we view the outlook for TW as mostly attractive, but given its valuation and some risks, we only see modest upside at this time."



Short interest is 0.4%. TW saw a number of insiders take part in the IPO with eight different officers buying stock at \$27 on the opening day. The largest buys were from CEO Lee Olesky who invested \$540K and MD Europe/Asia Enrico Bruni who bought \$810K.

Trade to Consider: Long the **TW** October \$45 Calls for \$3.50