

## Facebook Setting Up for Run at New Highs Despite Regulatory Headwinds

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**Facebook (FB)** shares setting up well and looking to clear the 50-MA and buyers active yesterday for more than 4,500 October 4<sup>th</sup> (W) \$195 calls and follows buyers of 2,000 October 11<sup>th</sup> (W) \$192.50 calls last week. FB Has seen some size November \$190 and \$205 calls bought in late August/early September and a lot of bullish open interest stretching across October, November, and out to June 2020. Shares tagged the 200MA on 8-23 and held with a nice base forming and potential for a run back to \$205. The big rising channel throughout the year targets a move ultimately to \$220.



The \$537B company trades 19.8X earnings, 8.6X sales, and 30X FCF with EPS growth accelerating 15% and then 18.25% the next two years. FB continues to see low-20% revenue growth as they monetize a wide range of assets from Instagram and Messenger to WhatsApp. Analysts have an average target for shares of \$222.50. Cleveland Research raising estimates on 8-27 after checks suggest advertising spend appears better than expected. The firm says the higher spend is being driven by improving ROI, adoption of stories, and gains within digital video budgets and the analyst suggests further upside to ROI as a result of Campaign Budget Optimization, success with Direct Response Stories ads, positive feedback regarding the Instagram Shopping Beta, and limited impact from digital budget diversification. MKM starting at Buy on 8-2 with a \$245 PT as FB offers a rare combination of scale, growth, and profitability with significant runway ahead as they improve ad targeting, user experience, and monetization. Short interest is 0.9%. Hedge fund ownership rose 3.89% in Q2. Tiger Global a top holder with 8.975M shares while Viking Global, Coatue, Lone Pine, Appaloosa, and Altimeter all top holders.