FEATURED OPTIONS RADAR REPORT

Bullish Spreads Position in Online Lending Platform Leader

Ticker/Price: TREE ($192.50)

Analysis:

Lending Tree (TREE) has been a laggard with shares down 30% YTD and will report earnings on 7-29, a name that has closed lower 7 of the last 8 reports with an average move of 14%. Despite the weak performance and poor history, option traders have been making bullish bets recently with 1000 August $210 calls bought on 7/8, most spread against the $240 strike, and then on 7/22 the August $160 puts sold 2500X to buy the $195/$230 call spreads at a net debit of $7.80. TREE does have 16% of its float short which may indicate short-hedging with these bullish trades. TREE shares are actually back near multi-year lows near its lower monthly Bollinger and the $180 level that held in October 2018 and March 2020. The weekly is showing some indications of a bullish RSI divergence developing. TREE operates an online consumer platform that empowers consumers to shop for financial services the same way they would shop for airline tickets or hotel stays. Services include mortgage loans, mortgage refinances, home equity loans and lines of credit, reverse mortgage loans, auto loans, credit cards, deposit accounts, personal loans, student loans, small business loans, insurance quotes and other related offerings. TREE has launched LendingTree Next as an extension of its platform and has also underwent significant management changes. TREE has been diversifying away from its cyclical mortgage business and sees opportunities in small business. TREE expects to see success from a continued shift of consumer behavior to digital solutions. TREE's mortgage refinance business should be having a strong quarter with rates back at record lows. TREE shares have traded negatively correlated to rising interest rates even though most of its segments like Credit Cards, Personal Loans and Insurance are not tied to rates and TREE also sees itself better differentiated and positioned this time around for a higher rate environment. TREE currently has a market cap of just $2.6B and trades 18X FY21 EV/EBITDA and 2.3X EV/Sales. Estimates see revenues rising 15-25% annually the next four years and EBITDA growth forecasted at 15%, 50% and 32% respectively the next three years. Analysts have an average target of $315 on shares. OpCo lowered its target to $275 from $325 this week and sees TREE's consumer personal loan product performing strong in 2H21 but concerns with consumer segment margins in the near-term. OpCo notes that sentiment around the majority of large card issuers' 2Q conference calls was positive on consumer spending levels and credit demand driving increased marketing investment into the back half of the year which will create a strong environment for TREE to deliver ROI to issuers. TREE's product scale, high revenue conversion, and paid marketing execution will generate above-average market share gains in the secular shift of the financial and insurance advertising market ($29B TAM) market. SIG noted on 6/24 that TREE's business continued to improve and sees a positive trajectory, a Positive rating and $350 target. Northland raised to Outperform in May with a $225 target seeing an improved risk/reward despite intense competition and TREE's dependence on Google search. Hedge Fund ownership fell 10% in the latest quarterly filings though Ark Investment the top holder.

Hawk Vision:

Hawk's Perspective: TREE feels dirt cheap though an ugly trend to step in front of and the red flag of the high short float. It is also hard to trust with its history of performance on earnings reports.

Confidence Ranking: $