



FEATURED OPTIONS RADAR REPORT



United Air Calls Hot on Upside to Business/International Travel

Ticker/Price: UAL (\$62.40)

Analysis:

United Air (UAL) traded over 85,000 calls on 3/17 which is 2X daily average but most notable were big buys of September \$65 calls that started at \$8.30 and caught the first 2500X bought and ended the day trading more than 13,000X and up to \$9.50, significant position size. UAL also has 10,000 April 1st (W) \$70 calls in OI from buyers 3/15, 8500 June \$57.50 calls, over 12,000 June \$50 calls and April \$60 calls, and some size in LEAPS, a ton of bullish flow since December. UAL shares are overbought near-term with a 61.8% retracement target at \$65.75 a potential stall point, but potential to work back to the pre-COVID range of \$75/\$95. The \$18.3B Airliner trades 20X Earnings, 7.2X FY22 EBITDA and 3X Book. Forecasts see UAL revenues rising 50% in 2021 and 2022 and EBITDA reaching \$5B in 2022 which would still be under the \$6.84B from 2019. UAL has invested in air-taxi start-up Archer that is a recent SPAC. UAL utilized the downturn to reduce \$2B in structural costs and is very optimistic for 2022/2023 and sees EBITDA margins in 2023 returning to at least 2019 levels and improving from there. UAL has the seven best Hubs and a strong route network with the biggest business network of any U.S. airline, the largest coastal exposure in the coastal hubs, the largest international network. Analysts have an average target of \$52.50 and short interest is 5.5% of the float. Goldman was out on 3-15 raising expectations on the pace of air travel demand recovering, and now expects 2022 and 2023 demand to be 5% lower and 9% higher than 2019, respectively, vs. prior forecasts of 12% lower and 1% higher. UAL was featured as a name to buy trading at a large discount to historical multiples, as the most attractive option to gain exposure to the recovery in business/international and has a \$74 target. Deutsche Bank upgraded shares to Buy on 2-22 with a \$60 target. Hedge Fund ownership surged more than 20% in the latest quarterly filings, Altimeter a notable top holder and Jericho with a new position.

Hawk Vision:



Hawk's Perspective: UAL looks great and a nice value, these calls a long way out so looking for shares to pull back and retest the recent flag breakout and base, an optimal entry around \$56.

Confidence Ranking: \$\$