



FEATURED OPTIONS RADAR REPORT



Unusual Large Call Buy in Viasat on Delta Deal

Ticker/Price: VSAT (\$47.50)

Analysis:

Viasat (VSAT) a small cap with an unusual large trade on 5/25 as 2500 September \$50 calls were bought aggressively on the offer with wide bid-ask spreads at \$3.20 to \$3.25 and more than 3200 traded on the day as call volume was 30X daily average. VSAT also has nearly 2500 June \$35 calls now deep ITM that bought to open back in January. VSAT also has 2,350 December \$45 puts in open interest that accumulated in smaller lots since mid-March and tracing back all the flow these were sold to open. On the chart VSAT shares ran up strong through mid-February but since have consolidated in a tight bull wedge pattern with support key at \$4 which aligns with VWAP off the December lows and a breakout move likely above the \$52.50 level that would measure to \$75. VSAT is an innovator in communications technologies and services, focused on making connectivity accessible, available and secure for all. Its end-to-end platform of high-capacity Ka-band satellites, ground infrastructure and user terminals enables it to provide cost-effective, high-speed, high-quality broadband solutions to enterprises, consumers and government users around the globe, whether on the ground, in the air or at sea. The government business includes a market-leading portfolio of military tactical data link systems, satellite communication products and services and cybersecurity and information assurance products and services. VSAT's satellite services include Fixed Broadband, In-Flight, Community Internet in Mexico, and Mobile Broadband. VSAT has a global constellation of three third-generation ViaSat-3 class satellites under construction that will provide approximately eight times the capacity of its own satellite fleet in-service today, and to enable affordable connectivity across most of the world. VSAT targets mid-calendar year 2021 to early 2022 for the launch of the first ViaSat-3 class satellite while the 2nd one follows six months after and the third is 6-9 months after the second. VSAT has a market cap of \$3.3B and trades 8X EBITDA and 1.8X EV/Sales with revenues seen rising 10-15% annually the next three years and 13-20% annual EBITDA growth. VSAT did a \$222M deal for RigNet back in December that should start to contribute. VSAT options action on 5/25 came after it reported and held its earnings call, and noted improvements across all of its segments including \$1B in government awards. Analysts have an average target of \$65 and short interest is elevated at 14.4% of the float. William Blair noted today that the 230 plane Delta (DAL) deal announced is the most lucrative contract in the entire inflight Wi-Fi industry and sees this alone worth \$20/share to VSAT. Blair is the bull on the Street that in February put a \$90-\$110 target on shares citing VSAT advantages to SpaceX and positive ARPU trends. Raymond James upgraded to Strong Buy in April with a \$67 target. Baupost holds VSAT as its 5th largest position, a 6.75% portfolio weighting.

Hawk Vision:



Hawk's Perspective: VSAT seems to be a great buy looking at a 2-3 year window as the new satellites come online and it comes out of COVID headwinds.

Confidence Ranking: \$\$