



WWE Bulls Buy into Weakness with Long-Term Positives Overseas

Ticker/Price: WWE \$44.25

Analysis:

World Wrestling (WWE) with 2000 May \$45 calls opening \$4.20 to \$4.40 into weakness and follows buyers in the March \$50 calls over 4,000X yesterday. The April \$50 puts were sold to open 2,000X on 1-31 while also some smaller put sales in the Jan. \$40 and July \$40 strikes in the last week. Shares have been in a weak trend over the last year and back around a big volume node and breakout area from early 2018 that sparked the run up to \$100. WWE has a gap above back to \$60 and downtrend resistance where the trend could see a significant shift back to the upside. The \$3.6B company trades 19.3X earnings, 3.75X sales, and 14.5X cash with a 1.1% yield. WWE has taken down estimates quite a bit recently and now sees 31.7% EPS growth in FY21 with revenues in the mid-single digits. WWE has scaled back some expectations for their OTT product after it failed to gain traction to the 3-4M subs target they initially had and now focused on expanding their International deals following the early success in 2019. The company is reportedly working towards agreements in the Middle East and India, two massive markets. The continue to have a very loyal base and plenty of opportunity outside the US as shown by their recent NXT signing in the UK. Analysts have an average target for shares of \$66 with 11 buy ratings, 4 hold, and 2 sell. JP Morgan downgrading to Neutral on 2-11 noting near-term upside in the shares will largely depend on WWE's success in negotiating "transformative" deals. Benchmark with a \$57 PT seeing the recent earnings as a clearing event while the long-term remains strong with plenty of room for their niche product in the crowded OTT space. Needham cutting their PT to \$55 and noting that a best case scenario is the company looks for a strategic buyer for their OTT Network given the attractiveness of their content. The analyst contends that Amazon (AMZN) would be an ideal partner. Short interest is 11.2% and down from around 14% in late 2019. Hedge fund ownership jumped 25% in Q3 with Sirios Capital, Light Street Capital, and Lindsell Train adding to their stake.

Hawk Vision:



Hawk's Perspective: WWE is pretty ugly chart and really would prefer a better setup once it can show any kind of traction given the recent gaps down. I still think it has a ton of relevance in the OTT world as a niche product but maybe got ahead of itself over the last couple years and expectations coming back to Earth.

Confidence Ranking: \$\$