



Polaris Bulls Bet on Strong 2019, Tariff Resolution

Ticker/Price: PII (\$86.15)

Analysis:

Polaris (PII) with size buys in September \$80 calls yesterday paying \$9.10 to \$9.60 and open interest now rises to 3,892 from buyer accumulation. PII has seen some mixed positioning in May which is set to expire in a few days while June \$90 calls have 1,800 bought in open interest. The \$5.3B maker of Snowmobiles, Motorcycles, Boats and other power vehicles trades 12.4X Earnings, 0.85X Sales and 9X EV/EBITDA with a 2.83% dividend yield. PII shares reversed off lows yesterday and closed right near YTD VPOC and hammered above its daily cloud and key volume node of support. The weekly set-up shows RSI gaining strength and holding trend support off its two prior lows. PII saw revenues climb 20% and 12% the last two years and 11.7% growth seen in 2019 while EPS seen down Y/Y, a name impacted by tariffs. Off-Road vehicle account for 64% of sales and the US is 80% of sales. PII has a long history of gaining market share against peers. It has embarked on a customer-centric model and also cutting costs and improving quality. Analysts have an average target of \$108.50 and short interest at 7.9% of the float continues to trend lower to a three-year low. On 5-2 Wedbush upgraded shares to Outperform with a \$117 target with tariff elimination/mitigation, new product innovation, and improving weather a few possible catalysts, expecting upward earnings revisions throughout the year and strength in 2020. RBC raised its target to \$102 on 4/24 after the strong quarter. Goldman started shares Buy on 4-24 with a \$123 target seeing recent R&D efforts yielding results and robust new product introduction in 2019. Hedge Fund ownership jumped 17.37% in Q4 filings, Confluence Investment Mgmt. one of the few larger concentrated holders added.

Hawk Vision:



Trading Strategy: PII looks extremely cheap on valuation and is a must own if/when the tariff dispute resolves.

Confidence Ranking: \$\$