



Stratasys Calls See Return to Growth in 1H 2020

Ticker/Price: SSYS (\$23.75)

Analysis:

Stratasys (SSYS) with 2,200 March \$22.50 calls opening today up to \$4.30, trading over 5X average volume. SSYS still has 15,000 January 2021 \$40 calls from buyers outstanding, the most notable line by far in OI. Shares went on a strong run higher in June but pulling back recently to support at \$22 where it has been basing over the last two weeks. A move above the 200-day at \$24 has room back up to resistance at \$26 and then the prior peak around \$30. Longer-term, SSYS remains in a wide base with upside potential to \$40+. The \$1.31B company trades 35.7X earnings and 2X sales with 9.5% and 19% EPS growth expected the next two years. SSYS sees revenues growing 4.75% and 6.5% after a couple years of flat growth. SSYS is coming off a weak quarter with automotive and industrial markets soft, especially in Europe. They've made a focus on improving profitability recently with better supply chain and operational efficiencies which are set to grow over the next 2-3 years while a slate of new products will help them continue to gain share in the market. SSYS continues to see significant market opportunity in industrial manufacturing as well as verticals like healthcare as 3-D printing adoption grows. Analysts have an average target for share of \$27. Susquehanna positive on 8-5 with a \$29 PT. The firm thinks softness was not a surprise given softening Eurozone PMI's, weaker automobile industry data points, and recent commentary from peers but optimistic longer-term on more achievable growth accelerating. SIG thinks the company is an ideal takeover target given its leadership position in the market, strong balance sheet, and rising high margin revenue stream. Piper positive on 7-31 seeing new systems and new material introductions in 2020 driving upside. Short interest is 11.6% but down from around 13.7% in mid-August. Hedge Fund ownership fell 8.4% in Q2. Fisher Asset management, Coatue, and PDT Partners notable holders.

Hawk Vision:



Hawk's Perspective: SSYS with an ugly reaction to earnings but held up where it needed to and above \$24 can be constructive with room back to around \$27/\$28.

Confidence Ranking: \$\$