



SunRun Calls Surge as Momentum Seen Continuing in Solar

Ticker/Price: RUN (417.40)

Analysis:

Sun Run (RUN) trading 5X average calls in the first 30 minutes of trading today with over 8400 October \$18 calls bought up to \$0.90 and the May \$20 calls bought 2,500X up to \$2.40. RUN still has the November \$19/\$13 bull risk reversal in OI over 2000X as well as 3,000 January \$19 calls in OI from buyers earlier this year. RUN shares are moving out of a small flag today after pulling back to the 200-day and basing in August. A move higher targets 52-week highs near \$20/\$21 while a longer-term breakout and extension of the trend has room to \$28. The \$2.01B company trades 29X earnings, 2.4X sales, and 6.7X cash with EPS growth soaring in the next two years up to \$1.57/share from \$0.13 this year. RUN expects sales growth of 9-10% next year. The company continues to add residential customers at a quick pace, up over 255K now, and growing volumes and market share in key geographies. RUN is seeing margin expansion as well as they execute on a cost improvement plan which has seen SG&A fall in the 1H of 2019. RUN would be a big beneficiary of an extension of the solar tax credit which will be debated in Congress this Fall. An extension has bipartisan support but is opposed by the head of the Senate Finance Committee. A report yesterday indicated an extension would add \$87B to the US economy. Analysts have an average target for shares of \$22 with 6 buy ratings. Keybank starting at Outperform on 8-20 with a \$19 PT seeing the company is the "most efficient" capital recycler in the space and has distinguished itself with significant cost discipline and sagacious financial execution. They expect RUN to continue to monetize its R&D investment to develop additional revenue streams from grid services and 'virtual power plants.' Short interest is 12.2% and up from around 10.9% in August. Institutional ownership rose 17.9% in Q2 and Tiger Global continuing to add to their sizable position, now 28M shares. Sequoia is also a top holder.

Hawk Vision:



Hawk's Perspective: RUN is a strong story along with FSLR, ENPH, SEDG in a group seeing a major inflection point, and all solid looking plays for further upside.

Confidence Ranking: \$\$