



## Callaway Gold Calls Hot with Share Momentum

Ticker/Price: ELY (\$19.60)

### Analysis:

**Callaway (ELY)** buyers of more than 3,000 November \$21 calls this morning up to \$0.85 with action running near 10X average in the first hour of the day. ELY had 3,000 October \$19 calls bought last week and still with some ITM Sept. calls in open interest from late August buys. Shares have run a bit recently and back near the post-earnings highs around \$20 with a weekly base breakout just above. A move higher targets \$25 and a run above the 2018 highs. The \$1.87B company trades 15.7X earnings, 1.33X sales, and 23X cash with a small yield. ELY sees mid-teens EPS growth and revenues up 4-5% the next two years as they integrate the recent Jack Wolfskin acquisition. The deal is aimed at helping grow their international base into areas like China as well as expand into more of a lifestyle/active brand. It also comes ahead of the China 2022 Olympics and massive push by the country to build out a winter sports market. ELY's core business is also improving as they invest in tech and capitalize on a small resurgence in interest in golf among younger players. TopGolf is also helping attract new casual players and ELY has a stake in the company which will benefit from expansion plans through 2020. Analysts have an average target for shares of \$24. Raymond James upgrading to Outperform on 9-11 with a \$21 PT. They think the stock is not fully reflecting the company's 14% stake in TopGolf, which it appears to be increasingly open to monetizing, while being overly penalized for the JW deal. Stephens noting on 8-28 that the recent change in language around Top Golf could indicate an expedited timeline around strategic action. Short interest is 13% and rising recently. Hedge Fund ownership rose 105% in Q2, mostly due to a new 8.67M share position from activist Jana Partners who wants the company to monetize assets or even divest JW. In May, insiders were active buying stock around \$14.75 to \$15.50.

### Hawk Vision:



**Hawk's Perspective:** ELY has run a bit and looks more enticing back near \$18.50 but a situation worth monitoring with multiple upside value driving catalysts potentially over the next 6 months.

**Confidence Ranking:** \$\$