



## Polaris Calls Position for Seasonal Strength into Winter

**Ticker/Price:** PII (\$86.83)

### Analysis:

**Polaris (PII)** buyer of 1,500 December \$90 calls for \$5.20 in a stock replacement and name which already has 2,000 of the December \$85 calls and 1,000 December \$95/\$115 call spreads in OI from 9-19. Shares are consolidating in a bull flag around the 20- and 50-MA after a move off the recent lows and a move above \$91/\$92 has room up to \$100. Longer-term, PII is working on a big multi-month base under \$100 with positive weekly RSI divergence. November is seasonally one of the strongest months of the year for shares ahead of the Winter push. The \$5.4B company trades 12.9X earnings, 0.8X sales, and 49.5X FCF with a 2.8% yield. They see EPS growth of 7.8% and then 9.65% the next two years with revenue growth of 3.5% to 4%. PII has been working to stabilize margins in the face of tariff headwinds and seeing positive volumes at their Indian Motorcycles business as well as their boating business. PII is lapping some tougher comps and reports of a heavier winter in parts of the US could be a tailwind for their snowmobile unit which has unveiled new models recently. Analysts have an average target for shares of \$107. UBS upgrading to Buy on 7-31 with a \$105 PT seeing shares pricing in the tariff risk. Raymond James with a Strong Buy and \$108 PT noting the core business continues to improve despite the macro headwinds and set to accelerate once US/China issues are settled. Lake Street with \$112 PT. Short interest is 6% and at the lowest level since August 2014. Hedge fund ownership rose 33.5% in Q2. Insiders were very active in the name at slightly higher prices in 2018 with over \$1.2M in stock bought by four different directors and the CEO buying \$312K in stock at \$104/\$105.

### Hawk Vision:



**Hawk's Perspective:** PII has some obvious headwinds from tariffs, especially the incoming tranche, so can be kind of tricky to play but the insider buying and seasonal strength in interesting for a trade if it sets up.

**Confidence Ranking:** \$\$